



Signatory Name: The Smiths Snackfoods Company & Sakata Rice Snacks Australia

Status: Completed

The content in this APC Annual Report is hereby endorsed by the Chief Executive Officer, or equivalent officer of the organisation.

Yes

Industry sector (please select 1 only):

- Brand Owner / Wholesaler / Retailer
- Packaging Manufacturer
- Waste Management
- Other - Commercial Organisation
- Community Group
- Industry Association
- Government
- Raw Material Supplier
- Other:

Industry type (please select 1 only):

- Food & Beverage
- Pharmaceutical / Personal Care / Medical
- Hardware
- Homewares
- Communications / Electronics
- Clothing / Footwear / Fashion
- Chemicals / Agriculture
- Fuel
- Large Retailer
- Tobacco
- Shipping Company
- Airline
- Other:

Please indicate your organisation's reporting period:

- Financial Year: 1 July 2011 – 30 June 2012
- Calendar Year: 1 January 2012 – 31 December 2012

Goal 1: Design

KPI 1: % of signatories with documented policies and procedures for evaluating and procuring packaging using the SPG's or equivalent.

Does your company have documented policies and procedures for evaluating and procuring packaging using the SPG's or equivalent?

Yes No

Of the types of packaging **existing at the beginning of the reporting period**, what percentage had been reviewed using the Sustainable Packaging Guidelines (SPG) by the end of the reporting period?

%

Have any new types of packaging been introduced during the reporting period?

Yes No

If yes, of the **new types of packaging introduced during the reporting period**, what percentage have been reviewed using the Sustainable Packaging Guidelines (SPG) by the end of the reporting

%

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 1

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	APC Team to meet regularly to discuss action plan implementation. Target: APC Team meetings convened bi-annually; Action tracking schedule maintained.	Achieved. Cross functional APC Team is in place, with records of meetings and action tracking maintained. Core APC Team members include the Capability Director, Packaging Development Manager, Procurement Director, ANZ Environment Manager and Marketing Manager.
2.	Review 50% of existing packaging against SPG by 2015. Target: 10% existing packaging reviewed each year	Achieved annual target. Focus in 2012 was on flexible packaging, which comprises 36% of the existing packaging groups identified within our Action Plan for review. Strategies have been identified for each category of flexible packaging, and these will be progressively implemented across the individual SKUs.
3.	Monitor current PepsiCo global research into bio-structures as alternatives to current chip packaging for local implementation. Target: Latest records of bio-structures suitable for local application maintained	Work in progress. Our R&D team maintains regular contact with base film suppliers and global teams to monitor developments. No suitable materials were identified for trial in 2012, due to significant cost impact and some concerns with market appeal. Updates on global developments will be available at the 2013 PepsiCo global conference.
4.	Develop criteria for the definition of 'new packaging' to define boundaries for future review of all new packaging. Target: Criteria for the definition for new packaging developed and documented	Completed. New packaging has been defined in relation to existing categories, and will be applied to new product development to trigger review against the Sustainable Packaging Guidelines.
5.	Develop SPG checklist to incorporate into company new product development process and product development process. Target: Packaging Review checklist that incorporates SPG developed	Completed. The Sustainable Packaging Guidelines Review Template has been developed and used for packaging reviews, including the Flexible packaging reviews completed in 2012.
6.	Incorporate SPG into packaging checklist in new product development process. Target: SPG completed for new packaging during new product development process	Completed. The SPG requirements have been incorporated into relevant elements of our New Product Development process, including procedures for Pack Size Development, Vendor Qualification and the Product Development Checklist, and will be applied as new developments are implemented

7.	Investigate air space end seal reduction as a standard for all chip packaging and implement where relevant as a staged process. Target: Research on end seal reduction completed	Completed. The end seal reduction project has been implemented across all SKUs, delivering an estimated 1.9% reduction in source material annualised
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Describe any constraints or opportunities that affected performance under this KPI

Smith's and Sakata have now effectively incorporated the Sustainable Packaging Guidelines into our systems and processes for the design and procurement of packaging. In 2012 we focused on review of a key packaging group, Flexible Packaging, using the SPG. The reviews were categorised into 3 areas: Primary flexible pack, secondary flexible pack and primary flow wrap. Identified actions and recommendations will progressively be applied to the category.

Benefits realised through packaging reviews include: Optimisation of a primary flexible bag configuration, reducing source material by 34t in 2012; Optimisation of corrugate carton configuration, reducing source material by 30.5t of corrugated board in 2012 and optimising pallet configuration to reduce transport movements. In addition, trials were completed for initiatives to be implemented in 2013 and 2014, including: Optimisation of secondary flexible pack configuration to reduce source material consumption and to optimise shipper configuration; Secondary flexible pack material change from bi- to single layer polymer and primary flexible pack material change from tri to bi-laminate, with associated reduction in packaging processing impacts.

Goal 2: Recycling

KPI 3: % signatories applying on-site recovery systems for used packaging.

Do you have on-site recovery systems for recycling used packaging?

- Yes at all facilities/ sites
- Yes at some, but not all facilities/ sites
- No

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 3

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	Improve existing on-site waste and recovery systems to achieve a zero waste to landfill target by 2015. Target: All sites have recycling facilities	<p>All PepsiCo ANZ sites have well-developed on-site collection and recycling systems for used packaging, including cardboard and rewind cores, paper, toner cartridges, comingle, plastics, film, strapping, seasoning bags, bulk bags, timber and empty containers (including chemical containers returned to suppliers for re-use).</p> <p>These systems, together with general waste reduction and non-packaging recycling programs, contributed to an improvement in % recycled across our manufacturing facilities from 88% in 2011 to 92% in 2012.</p> <p>Improvements included the introduction of clear plastic bags for collection of recyclable materials to enhance visibility of waste and segregation, improved signage, training, auditing processes, routine feedback of performance to site teams and identification of additional avenues for recycling of site wastes. Our sites progressed systems in 2012 to separate finished product from packaging, improving recovery of the food waste for stockfeed applications, thereby reducing volume to landfill.</p>
2.	Develop and provide education to all staff regarding company recycling and waste disposal practices to maximise recycling rates. Target: Two educational pieces produced and distributed annually	<p>Achieved. We have adopted a multi-layered process for waste education to reinforce requirements, including formal Environmental Awareness Training and assessment rolled out to Operations employees, regular audits of waste systems by site environmental management representatives, waste communications incorporated into monthly EHS Briefs and Toolbox Talks and monthly performance updates via site noticeboards and business-wide scorecards.</p> <p>In addition, we have developed a Leadership Diary for employees with monthly topics covering Food Safety, Health and Safety and Environmental focus areas such as Waste. These incorporate "What to Look For" guides to increase vigilance by all employees during site walks.</p>
3.	Develop reporting system to report on weight and percentages of segregated and recycled packaging material (paper, glass and aluminium etc) from all sites. Target: Waste and recycling statistics reported annually	<p>Achieved. Each site has developed reporting systems to routinely monitor waste performance. Facility waste generation and recycling rates are tracked and reported on a monthly basis to the corporate group. The major packaging materials recovered from our manufacturing facilities are cardboard and paper (700t recovered for recycling in 2012) and plastics (80.5t recovered for recycling in 2012).</p>

4.	Conduct waste audits at all sites to review waste data quality and conformance with company EMS standards for on-site waste management. Target: Company site EMS standard for waste management used to document potential improvement areas for waste management	In progress. Waste audits have been conducted at some sites to identify opportunities for improvement. In 2013, work is underway to nationally align best practice for auditing vs corporate PepsiCo standards, and to further improve data quality processes. Currently data is reviewed annually as an element of data verification for corporate external reporting .
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Describe any constraints or opportunities that affected performance under this KPI

All of our facilities continued to improve on-site waste systems in 2012, with new collection systems to separate at source, improved training and signage, auditing processes to improve segregation, routine feedback of performance to site teams and additional avenues identified for recycling of site wastes. These systems, together with general waste reduction and non-packaging recycling programs, contributed to an improvement in our waste recycled metric from 88% in 2011 to 92% in 2012 across our manufacturing facilities.

While not directly within the scope of the Australian Packaging Covenant, our New Zealand facility received a NZIFST Food Industry Excellence in Ecoefficiency Award in 2012 for their progress in reducing waste to landfill, with clear evidence of investment, partnership and engagement. Their experience will be leveraged across the business as we nationally align best practice across our manufacturing sites.

KPI 4: Signatories implement formal policy of buying packaging made from recycled products.

Does your company have a formal policy of buying packaging made from recycled packaging?

- Yes No

Is this policy actively used?

- Yes No

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 4

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	Review opportunities to buy recycled. Target: Evaluate the potential and set targets	In progress. Baseline recycled content has been established for each of our core packaging categories and we have assessed opportunities to buy recycled materials. In 2012, our highest volume category (cartons) comprised 83% of packaging material tonnage, and contained 94% recycled material. The next highest volume category (flexible film) comprised 15% of packaging material tonnage, with 0% recycled content. In terms of setting targets for improvement, it is currently not viable to incorporate postconsumer recycled material into our flexible films due to quality, performance and food safety requirements. This restricts opportunity for increasing recycled content across our packaging portfolio, and future efforts will be directed towards maintaining and incrementally improving corrugate and board recycled content, as well as identifying non-packaging opportunities to introduce recycled content (e.g. office stationery).
2.	Report annually on number of recycled content / sustainable products purchased. Target: Uptake of recycled content products reported annually by expenditure and total weight of product purchased, against 2011 baseline	Achieved. Our core packaging suppliers are required to annually report recycled content within materials supplied. Relative to our 2011 baseline performance of 76% recycled content, we achieved 77% recycled content in 2012 across our core packaging categories.

Describe any constraints or opportunities that affected performance under this KPI

PepsiCo has a corporate Sustainable Packaging Policy applicable to our Snackfood operations globally, published within our Action Plan and available on our corporate website: <http://www.pepsico.com/Purpose/Overview/Policies.html>

The Policy includes a commitment to increase the use of recycled content or materials from renewable resources. It has been formally incorporated into our Packaging Procurement processes and tender development documentation, and Policy adoption is evidenced by the achievement of 94% recycled content for our carton (fibre product) packaging sourced in 2012. The application of the policy is monitored through periodic requirements for our suppliers to report recycled content and stewardship credentials for material supplied.

Consistent with the Policy, recycled content or materials from renewable sources are favoured where quality, hygiene standards, performance and value criteria are met. It is not currently feasible to incorporate recycled content into our major Flexible packaging group due to quality and food safety requirements.

In addition, in 2012 our supplier of PET trays moved from recycled content to virgin material due to the unfavourable economies of recycled material.

Goal 3: Product Stewardship

KPI 6: % signatories with formal processes to work collaboratively on packaging design and / or recycling.

Does your company have formal processes in place for collaborating with other companies or organisations on improved packaging designs and/or recycling which aims to reduce or eliminate waste?

Yes

No

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 6

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	Continue to implement sustainable supply chain schemes via the local supplier's packaging outreach program and the global Sedex program. Target: Packaging outreach program and Sedex maintained; Baseline: Currently all suppliers need to comply with the local or global program	In progress. 5 of the 6 suppliers for our core packaging categories are Sedex members
2.	Investigate supplier contract renewal dates against the potential for the integration of criteria for sustainable packaging opportunities. Target: All renewed contracts incorporate SPG and allowance for exploring opportunities for more sustainable packaging, beginning Q3 2011.	In progress. No key packaging contracts were signed in 2012. Procurement processes and documentation ensure that new contracts will incorporate the Sustainable Packaging Guidelines and provisions for formal collaboration to improve packaging sustainability outcomes.
3.	Explore solutions with suppliers for take-back schemes for used packaging (segregating, aggregating and take-back processes). Target: Annual Review of supplier packaging take-back opportunities completed	In progress. Supplier take back schemes have been implemented at our manufacturing facilities for return of used chemical containers for products supplied to us. In terms of broader Supply Chain take-back schemes, the concept of re-usable multi-trip cartons was discussed at a PepsiCo:Key Supplier top to top meeting held in April 2012. This solution would require full alignment with our retail partners who at present sell-back and recover revenue from their recycle contracts. Our supply chain models are currently not set up to reclaim and redirect multi-trip cases to our manufacturing facilities.
4.	Update supply contracts to include the requirement of take-back schemes for used packaging (as per findings of above action). target: Supplier packaging take-back opportunities identified, implemented and monitored	In progress. Currently not feasible for primary packaging due to requirements for alignment with our retail partners and significant changes to our supply chain model, however we will continue to monitor potential opportunities, and will update supply contracts as appropriate. Arrangements are in place with our major chemical provider for take-back of larger chemical containers (IBCs), with recycling avenues identified for smaller pack sizes.

5.	Review the company tender process and insert SPG as criteria to be addressed by relevant suppliers. Target: Relevant suppliers address SPG in tender documentation	Achieved. SPG criteria have been included in our tender process, documented within the Procurement Manual. An example of the application of this requirements was the inclusion of the SPG within the 2012 Corrugates Tender template. These will continue to be referenced as Procurement categories are rolled out.
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Describe any constraints or opportunities that affected performance under this KPI

We have established processes to collaborate with our key packaging suppliers, with a commitment to continuous improvement projects included in supply contracts. The principal mechanism for collaboration to improve design and recycling of packaging is through Value Engineering meetings between our R&D departments, considering sustainability outcomes within project discussions. In 2012, supplier representatives participated in our Flexibles Packaging Review Workshop to improve understanding of packaging opportunities and constraints. As we roll out each Procurement category strategy, we will continue to formalise requirements within the tender scope and contract to work collaboratively with our selected suppliers to optimise APC outcomes using the SPG.

In 2012, collaboration with our Supply Chain was an essential element in the development of shelf-ready packaging formats. We worked closely with our suppliers and customer to fully understand customer requirements and to minimise sustainability impacts in meeting those requirements. Packaging design was optimised to minimise source material while maintaining recycled board, and to minimise impacts associated with printing. Work will continue in 2013 to optimise configurations in-market.

KPI 7: % signatories showing other Product Stewardship outcomes.

Since the beginning of the reporting period, has your company had any other outcomes related to product stewardship?

Yes No

If yes, please give examples of other product stewardship outcomes

Our key packaging initiatives in 2012 continued to deliver benefits in source material reduction, as well as supply and distribution impacts via optimised carton configurations, with increased pallet density and reduced transport movements.

The full life cycle assessment studies undertaken by CSIRO in 2011 to calculate the carbon and water footprints of a 175g Potato Chip package helped to provide strategic insights into the environmental impacts associated with different stages of production and consumption of Smith's chips in Australia. The LCA's reinforced the significance of agricultural inputs, particularly with respect to our water footprint. PepsiCo has a Global Sustainable Agriculture Policy (refer to http://www.pepsico.com/Download/PEP_Global_SAG_Policy_FINAL_Jan_2009.pdf) to ensure that our practices are efficient and sustainable.

In Australia, Smith's has implemented sustainability programs for agriculture to improve productivity and minimise potential environmental impacts, including Water Balance initiatives and new crop variety trials to improve yields per unit input. The business has initiated programs to support and work collaboratively with local farmers to improve sustainability outcomes in areas such as irrigation, fertilisation and waste minimisation.

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 7

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	Work with CSIRO on the completion of product life cycle analysis (LCA) studies for two packaging types used. Target: LCA studies complete for two products by Q4 2012	Achieved: We completed 2 full Life Cycle Assessment studies in 2011 (undertaken by CSIRO), to calculate the carbon and water footprints of a 175g Potato Chip package. The goal of this research was to provide strategic insights into the environmental impacts associated with different stages of production and consumption of Smith's chips in Australia, including the contribution of packaging.

Describe any constraints or opportunities that affected performance under this KPI

In 2012, Smith's and Sakata achieved ISO14001:2004 certification across all Australian and New Zealand manufacturing facilities, implementing processes to improve consideration of environmental requirements within our business systems. General Environmental Awareness training was rolled out across our Operations, incorporating Australian Packaging Covenant information to raise awareness of requirements.

KPI 8: Reductions in packaging items in the litter stream.

Please indicate your progress this year towards achieving your annual targets and milestones for KPI 8

	Target: What were your annual targets for the reporting period?	Actual: What did you achieve?
1.	Conduct a review of packaging disposal information on all company packaging – recycling, no littering and disposal. Target: Review of litter messages on all company packaging complete	Completed. In 2012 we completed a review of disposal information on consumer packs and incorporated standardised anti-litter logos into our artwork approval process, for progressive implementation on new packaging artwork templates across our product range.
2.	Investigate further opportunities to provide information to consumers on how to dispose of packaging appropriately, including labelling and further information on packaging. Target: Company standard for consumer information finalised - packaging recycling or disposal	Completed. Currently, there are no viable avenues for routine recycling of postconsumer primary packs (flexible bags), so the standardised litter messaging built into all packs relates to appropriate disposal. This is subject to ongoing review and, as potential recycling avenues and markets become available in future, packaging artwork will be updated to reflect recycling options. In addition to the standardised logo, a toll-free number on the pack enables consumers to call should they have any packaging related queries.
3.	Explore opportunities around providing financial support to relevant anti-litter program (with results of company research). Target: Review of available opportunities	In progress. The PepsiCo Helping Hands program supports a number of organisations through workplace giving, via volunteer hours, events and employee-matched donations. Clean Up Australia is one of the charities currently receiving donations through Helping Hands. In 2012, our employees also donated around 1000 hours to volunteering activities across the Helping Hands Program. Future efforts will focus on improving volunteer participation in Clean Up Australia Day activities, and investigating other opportunities to provide financial support to anti-litter programs.

Describe any constraints or opportunities that affected performance under this KPI

PepsiCo currently supports a range of charities and community initiatives, including Clean Up Australia, via employee-matched workplace giving, volunteer hours and special events. We are targeting improved participation in Clean Up Australia Day activities within our Helping Hands Program.

Your Experiences

This section lets you share with us any achievements, good news stories and areas of difficulties in making progress against your plan and the Covenant goals and KPIs.

Key achievements or good news stories

Benefits realised through packaging reviews include: Optimisation of a primary flexible bag configuration, reducing source material by 34t in 2012; Optimisation of corrugate carton configuration, reducing source material by 30.5t of corrugated board in 2012 and optimising pallet configuration to reduce transport movements. In addition, trials were completed for initiatives to be implemented in 2013 and 2014, including: Optimisation of secondary flexible pack configuration to reduce source material consumption and to optimise shipper configuration; Secondary flexible pack material change from bi- to single layer polymer and primary flexible pack material change from tri to bi-laminate, with associated reduction in packaging processing impacts

Areas of difficulties in making progress against your plan, Covenant goals or KPIs

Packaging represents a significant cost to The Smith's Snackfood Company. For this reason alone there is a real economic incentive to reduce costs by minimising packaging. This is quite a challenge given that packaging must also fulfil its primary purposes of preserving and protecting the quality of the snacks inside and informing the consumer about the contents.

Our packaging adheres to the National Packaging Guidelines for Australia which state: "Packaging must be designed to use materials as economically as practicable while at the same time having due regard to the protection, preservation and presentation of the product."

The majority of our packaging materials by mass fall into 2 key categories:

- Cardboard, where we already incorporate 94% recycled content material, and have well-established avenues for recycling, both in-plant and throughout our supply chain, currently limiting opportunities for closed loop recycling and take-back schemes; and
- Flexible film bags, with inherent requirements for high oxygen and moisture barriers, necessitating a laminate design with current technology. Currently there are no viable avenues for routine recycling of postconsumer packs. We continue to monitor research into viable materials as well as recycling or other beneficial re-use options.