

**The Smith's Snackfood Company Pty Ltd and Sakata Rice Snacks
Australia Pty Ltd
2018 Annual Report for the Australian Packaging Covenant Organisation**

As part of a leading global consumer packaged goods business, Smith's and Sakata aim to develop next-generation packaging that continues to meet the needs of our consumers for high quality, safety and consumer experience, while minimising our environmental footprint. We have set a 2025 goal to strive to design 100 percent of our packaging to be recyclable, compostable or biodegradable, increase recycled materials in our plastic packaging, and reduce packaging's carbon impact.

The global PepsiCo Sustainability Report, including packaging goals, is available at:
<https://www.pepsico.com/sustainability/sustainability-reporting>

Following is a summary of Smith's and Sakata's progress towards achieving annual packaging sustainability targets aligned with the Australian Packaging Covenant Organisation framework.

	Target	Actual
1. Review new products against the SPG or equivalent		
1.1	Continue to review all new Smith's and Sakata packaging against the Sustainable Packaging Guidelines. <ul style="list-style-type: none"> • 100% of new packaging reviewed against SPG each year 	In 2016, 2017 and 2018 the Smith's and Sakata Packaging Development team reviewed 100% of new packaging against SPG requirements.
2. Review existing products against the SPG or equivalent		
2.1	Update reviews of existing packaging against Sustainable Packaging Guidelines.	In 2017 we reviewed our packaging portfolio across all categories, scoped in 2017 and implemented in 2018. We optimised big sizes of 21 skews and reduce the carton size. Phase two will be completed in 2019.
3. Reduce (optimise) the quantity of material used in packaging		
3.1	Design: Continue to implement design improvement strategies identified during reviews of existing products. Document and report actual or attempted changes to packaging, where possible including quantifiable data. <ul style="list-style-type: none"> • Opportunities for existing products documented and prioritised for implementation annually. 	In 2018, we achieved bag optimisation by reducing the packaging on four (4) of our brands which will result in an annualised saving of: <ul style="list-style-type: none"> - film 2,513 kg - Carton 105.8 tonnes - Pallets 8,275
3.2	Efficiency / waste reduction: Identify initiatives to improve efficiencies and minimise waste across all packaging machines <ul style="list-style-type: none"> • Aim to increase packaging efficiency year on year 	Smith's and Sakata facilities continue to routinely monitor efficiency of packaging use and maintain formal Lean / Kaizen programs to systematically reduce waste, averaging 25 project annually. In 2018 PepsiCo focused on creating new standards more challenging and complex. A key Kaizen project in 2018 achieved reducing our food waste by an additional 1%. The film we selected for our Sunbite Crackers resulted in a 10% packaging waste reduction due to a 25% increase in the microns used in the film.

	Target	Actual
4.Improve recoverability of packaging (e.g. reuse, recycling, recoverability)		
4.1	<p>By 2025, strive to design 100% of our packaging to be recyclable, compostable or biodegradable.</p> <ul style="list-style-type: none"> Investigate options for fully recyclable snacks packaging. Research documented and reported annually 	<p>PepsiCo Australia partnered with REDcycle in September 2018 to encourage consumers to recycle their chip packets. REDcycle processing partner, Replas, converts soft plastics in to a range of sturdy products – from fitness circuits, outdoor furniture, bollards and signage.</p> <p>PepsiCo continues to collaborate with biotechnology firm Danimer Scientific to develop and commercialise biodegradable film resins, produced using renewable biomass, for next-generation snacks packaging. The material has potential to be biodegradable across a wide range of conditions, e.g. home and industrial compostable, anaerobic digestion, soil and marine degradable - offering more management options as infrastructures are developed.</p>
5. Use sustainable (e.g. renewable and recyclable) materials in packaging		
5.1	<p>Recycled content: Document and report recycled content purchases, reviewing these purchases to identify opportunities to increase year on year.</p> <ul style="list-style-type: none"> Annually report the items purchased and the percentage of recycled content, improvements and any future opportunities to increase recycled content percentages 	<p>In 2018 we achieved 70% recycled content across our core packaging categories.</p> <ul style="list-style-type: none"> 70% of our packaging material tonnage was corrugate board, already optimised with >99% recycled content. 15% of our packaging tonnage was carton board 15% of our packaging tonnage was flexible film with no recycled content however postconsumer recycling possible since September 2018 with our partnership with REDcycle. 95% of our shippers are made from 100% recycled material
5.2	<p>Renewable content: Monitor PepsiCo global research into renewable bio-structures as alternatives to current chip packaging for local implementation.</p> <ul style="list-style-type: none"> Identify and trial new structure by December 2018 	<p>As described in 4.1, PepsiCo Australia partnered with REDcycle in September 2018 to encourage consumers to recycle their chip packets. REDcycle processing partner, Replas, converts soft plastics in to a range of sturdy products – from fitness circuits, outdoor furniture, bollards and signage. In addition PepsiCo continues to collaborate with Danimer Scientific to develop and commercialise biodegradable film resins produced using renewable biomass. We have identified a promising structure and are working towards a controlled trial in Australia.</p>
6. Include onpack labelling for disposal or recovery		
6.1	<p>Ensure correct consumer disposal and recycling information is provided on packaging, with annual review to pursue continual improvement.</p> <ul style="list-style-type: none"> 100% of products with correct disposal or recycling guidance by December 2019 	<p>The Smith's and Sakata artwork approval process incorporates Tidyman or Mobius recycling logos as appropriate. 100% of packaging provides disposal guidance on-pack, with a toll-free number for enquiries in relation to our products or packaging. Smith's and Sakata plans to assess the Australasian Recycling Label supported by APCO.</p> <p>Update artwork aligned with the Australasian Recycling Label is scheduled for implementation in 2019.</p>

	Target	Actual
7. Reduce onsite waste sent to landfill		
7.1	<p>Improve waste and recovery systems at manufacturing facilities:</p> <ul style="list-style-type: none"> • Achieve zero waste to landfill across direct operations by 2025 • Waste and recycling statistics reported annually • Install and maintain on-site recycling facilities in all staff areas including kitchens and office areas • Waste training / educational pieces produced and distributed annually • All waste contracts incorporate requirements for continual improvement in resource recovery and accurate reporting of waste data 	<p>All Smith's and Sakata manufacturing locations maintain extensive on site waste collection and recovery systems, with formal LSS waste reduction programs and ongoing training to minimise waste to landfill.</p> <p>In 2018, our manufacturing facilities improved to 93% recycled versus 92% in 2017.</p> <p>All sites across Australia have maintain on-site recycling facilities in all staff areas including kitchens and office areas.</p> <p>We have continued to work with our contractors who report monthly on our waste data.</p>
8. Improve packaging sustainability through procurement processes		
8.1	<p>Continue to work with suppliers to implement sustainable supply chain schemes.</p> <ul style="list-style-type: none"> • Supplier Code of Conduct established in contracts with 100% Packaging Suppliers • Packaging sustainability criteria incorporated into 100% of packaging tenders and contracts with packaging suppliers on renewal • Minimum quarterly meetings with packaging suppliers scheduled and minuted. Improvement projects documented for implementation 	<p>Smith's and Sakata continue to incorporate PepsiCo's Supplier Code of Conduct into 100% of packaging contracts. 100% of renewed packaging supply agreements included sustainability requirements, such as collaboration to implement the SPG and relevant policies like the PepsiCo Packaging Sustainability Policy.</p> <p>We have maintained regular meetings with our key packaging suppliers (quarterly for corrugates and monthly for flexible films). These meetings were an important mechanism for technical collaboration between our R&D teams to improve packaging sustainability, efficiency and value.</p>
9. Engage in closed loop collaboration(s) with stakeholders		
9.1	<p>Assess Product Stewardship models available locally to encourage return of used consumer packaging for recycling.</p> <ul style="list-style-type: none"> • Local options identified and progress reported annually 	<p>Please refer to 4.1.</p> <p>PepsiCo continue to be a signatory of the New Plastics Economy, led by the Ellen Macarthur Foundation, as a core partner. Since its creation it has emerged as a global thought leader, establishing the circular economy on the agenda of decision makers and accelerating the transition to a circular economy.</p> <p>Two PepsiCo Employees were successful in participating in the Australian Packaging Covenant Organisation Materials Circularity Working Group scheduled to commence in 2019.</p>
10. Reduce (optimise) business-to-business packaging		
10.1	<p>Continue to implement improvement strategies. Document and report actual or attempted changes to packaging, where possible including quantifiable data.</p> <ul style="list-style-type: none"> • Opportunities for existing products documented and prioritised for implementation annually. • Changes documented and reported annually 	<p>Our B2B packaging components are shelf-ready corrugate cases designed to meet customer specifications, stretch wrap and returnable Chep or Loscam pallets.</p> <p>Following our packaging review in 2017 the implementation of the strategies as mentioned in 3.1 resulted in an annualised saving of:</p> <ul style="list-style-type: none"> - film 2,513 kg - Carton 105.8 tonnes - Pallets 8,275