Australian Packaging Covenant
Smarter packaging, less waste, cleaner environment

Signatory Name: The Smith's Snackfood Company & Sakata Rice Snacks

The question numbers in this report refer to the numbers in the report template. Not all questions are displayed in this report.

Status: Completed

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

- [x] Yes

5. **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:

6. **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:

7. Please indicate your organisation's reporting period:

- ( ) Financial Year: 1 July 2012 – 30 June 2013
- (•) Calendar Year: 1 January 2013 – 31 December 2013

Goal 1: Design

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

8. Does your company have documented policies and procedures for evaluating and procuring packaging using the SPGs or equivalent?

(●) Yes ( ) No

Provide details of policies and procedures

Smith's and Sakata have incorporated the Sustainable Packaging Guidelines into multiple elements of our business systems, encompassing Procurement, evaluation of existing packaging and evaluation of new packaging through the Innovation and New Product Development processes. Our Global Sustainable Packaging Policy, supported by the cross-functional PepsiCo Sustainable Packaging Council, establishes the foundation for our commitments and packaging strategy. The requirements to evaluate and procure packaging using the SPG or equivalent are embedded in our Vendor Selection Guidelines, Procurement Tender Template, APC Packaging Review Template, Product & Package Design Brief, Product Development Checklist, Packaging NPD Project List, Pack Size Development Flowchart and Stage Gate template (gated Innovation process). In addition, implementation of APC on-site recycling requirements is monitored via our Waste Audit Checklist.

9. 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?

74 %

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

(●) Yes ( ) No

11. 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

100 %

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

	Target: According to your Action Plan, what did you set out to do?	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. Core APC Team members are the Operations Capability Director, R&D Senior Manager Packaging, Procurement Packaging Manager, National Environment Manager and Marketing Manager. In 2013 the business recognised an opportunity to extend APC engagement with our customers and has expanded the team to include the National Customer Marketing Manager in 2014. APC Committee meeting frequency will formally be increased to minimum Quarterly in 2014, with periodic attendance by selected Executive Leadership Team members to sponsor outcomes.
2.	Group Packaging for further reviews. Target: All packaging grouped	Achieved. Packaging was grouped for reviews in 2011, and has been updated to refine pillow bag categories and to incorporate additional packaging that now falls within our operational control.
3.	Review 50% of existing packaging against SPG by 2015. Target:10% existing packaging reviewed each year	Achieved. In 2013, the focus was on the Corrugates category, which comprises 42% of the existing packaging groups identified for review. In combination with the Flexible Packaging reviews undertaken in 2012, 74% of existing packaging groups have been reviewed.

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	Achieved. Originally defined as a new packaging format not listed in existing Packaging Categories as documented in our Action Plan. This has been refined to include NPD using an existing packaging format that involves any change, such as a modification to the product format (other than simple flavour change) or packaging substrate, sizing or properties.
5.	Monitor current PepsiCo global research into biostructures as alternatives to current chip packaging for local implementation. Target: Latest records of biostructures suitable for local application maintained	Work in progress. Our R&D Team maintains routine contact with internal PepsiCo and external sources to actively monitor developments in this field. In 2013, no suitable materials were identified with the necessary functional performance to proceed to trial. Key issues include moisture vapour transmission rates (a critical factor for product freshness control and consumer acceptance), increased material usage via the use of a fin seal and increased packaging weight per kg of product.
6.	Research optimising corrugate structures to meet new supply chain requirements. Target: Complete research on optimising corrugate structures to meet new supply chain requirements	Achieved. In 2013 we trialed and commenced using an alternative corrugate structure to optimise performance and sustainability outcomes for our Shelf-Ready carton range, designed to meet retail customer specifications. The new corrugate material replaced a higher board grade initially used to ensure functional performance. The new format reduced source material by about 9.5% while maintaining required performance characteristics during production, transport and handling. Additional supply chain benefits included a 25% increase in units carried per pallet, resulting in a reduced number of pallets delivered from supplier to manufacturing facilities, with associated transport fuel reduction and pallet movement reduction within our manufacturing facilities. Consistent with our continual improvement aims, we will continue to collaborate with our corrugates provider to evaluate new configurations / technologies as they emerge.
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	Achieved. The end seal reduction project has now been implemented aross our flexible film packaging range, with work completed at all of our manufacturing facilities to adjust equipment to maintain end seal performance, and requirements embedded into our packaging specifications.
8.	Conduct "right sizing" review of all chip packaging bags. Target: Research on right-sizing for chip packaging bags completed	On target for completion in 2014. A pack sizing protocol is embedded into the design process for new products, to ensure that new formats are optimised consistent with manufacturing and marketing requirements. Review of existing bag sizes is underway, with some opportunities identified for further assessment using current manufacturing processes. In addition, we have initiated projects to evaluate new manufacturing processes that will enable us to maintain quality parameters while further optimising packaging size and reducing packaging source material via charge compaction and airfill management.
9.	Investigate options for fully recyclable packaging for chip bags. Target: Research completed on recyclable bag options	Work in progress. As for bio-structures, our R&D Team continues to monitor developments in this field. With current technology, no feasible fully recyclable materials have been identified with the necessary performance characteristics to meet quality and customer expectations.

10.	Review efficiencies and waste across all packaging machines to drive improvements and minimise waste. Target: Gather baseline data for machines across all states to set target	On target for completion before 2015 due date. We are actively implementing projects to reduce packaging and product waste in our manufacturing processes through implementation of formal Lean / Kaizen methodologies, supported by investment in training and dedicated resources to deliver efficiency improvements and waste reduction. Systems are in place to measure and monitor efficiency of use of film and carton packaging and waste across packaging machines, and to ensure controls are in place to sustain improvements. In 2013, specific initiatives launched across our facilities included: 1. Optimised slicing to reduce packaging and food waste; 2. Optimising flexible film change-overs to reduce waste; 3. Reducing product and packaging waste through automated packers; 4. Optimising equipment settings to minimise waste. Skilled teams evaluate opportunities and share best practice across facilities through structured Kaizen events and 'Deep Dives', leveraging national and global resources, as well as a shared Productivity platform to document and track progress of improvements. These initiatives contributed to improved efficiency of use of our core packaging materials, as measured by an increase of 0.5% in our film composite metric and an improvement of 0.3% in our carton composite metric from 2012 to 2013. Across our facilities, this equates to a significant reduction in film and board used in the conversion of our packaged goods.

13. Describe any constraints or opportunities that affected performance under this KPI

In 2013 we reviewed the scope of new packaging requiring review to more comprehensively assess changes that, while falling within existing categories, could result in amendments to the substrate or sizing. In 2014, we will also consider the application of the review process to Marketing initiatives that may fall outside the scope of New Product Development activities, e.g. for strictly limited promotional packaged samples such as the Grain Wave 'Just one and you're hooked' campaign.

Packaging reviews conducted in 2013 identified a few notable outcomes:
1. Initial plans for a premium packaged product included a revised flexible pack structure which was thicker in two layers, equating to a potential increase in source material of 28t of film and 44t of polymount tie layer. Subsequent reviews of environmental and commercial impact resulted in a decision to retain the original structure, with no increase in source material and Marketing objectives achieved through identification of an alternative plate technology to achieve premium print quality.

2. In 2013, we launched a range of Shelf Friendly Packaging cases into the market to meet retail customer specifications. Additional perforations in the structures necessitated the use of a higher board grade to ensure functional performance for launch. Post-launch, we conducted trials at factory and, in collaboration with our supplier, identified and implemented an alternative corrugate structure which reduced source material by about 9.5%. An active monitoring program is in place to ensure that performance is maintained and we will continue to collaborate with our corrugates provider to evaluate new configurations / technologies as they emerge.

3. In 2013, we improved the barrier properties of our flexible packs without increasing base polymer source material, to extend the period of premium product quality. This provides scope for reduced spoils, to reduce disposal of packaged food waste.

Goal 2: Recycling

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

14. 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

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

	Target: According to your Action Plan, what did you set out to do?	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	Achieved. 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, reusable potato crates, timber and empty containers (including chemical containers returned to suppliers for re-use). These systems, together with waste reduction and broader recycling programs for non-packaging waste such as food waste, starch, scrap metal, oils and compostable watewater treatment organics contributed to an improvement in % recycled across our manufacturing facilities from 88% in 2011 to 92% in 2012 and 93% in 2013. Waste performance is a core environmental KPI for the business and annual plans target continual improvement in waste reduction and recycling programs. In 2013, improvements included initiatives to reduce film and carton waste in Packaging, as well as expanded programs to separate finished product from packaging to increase diversion of food waste from landfill for recycling. One of our facilities has initiated a project to evaluate use of residual non-organic waste (such as flexible film) for energy recovery by ResourceCo, to further reduce waste to landfill. In addition to operational areas, on-site recycling facilities have been installed in all administration areas (offices and kitchens) to capture comingle, paper / board and printer cartridges for recycling.
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	Achieved. Waste education continued in 2013 via formal Environmental Awareness Training, Waste Management Training, World Environment Day communications with a focus on Food Waste, and routine monitoring of waste recycling and waste generation KPIs for the sites. Waste systems were monitored through processes such as internal audits and monthly site inspections, as well as Leadership "Safety Walks", defined in the PepsiCo Leadership Journal, incorporating Environmental focus areas such as Waste, with "What to Look For" guides to increase awareness of core requirements.

3.	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	Achieved. Waste audits (including specific reference to APC requirements) have been incorporated into our ISO14001 certified EMS, to evaluate compliance with all elements of the ANZ EMS and corporate Waste standard, targeting continual improvement. Waste data quality is assessed on a monthly basis for submission to the corporate group and a robust annual data verification process is in place to ensure data integrity. Any issues identified during audits and routine inspections are communicated to site to implement corrective action. In 2013, an independent 3rd party audit (Bureau Veritas) was completed at our largest manufacturing facility to confirm data accuracy within corporate materiality criteria and conformance with PepsiCo global data management standards. In 2014, the business is deploying global Diagnostics for Waste to assess performance and identify improvement opportunities vs global standards.
4.	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	Achieved. Each site has developed reporting systems to routinely monitor weight and % of waste streams. Waste generation and recycling rates are core environmental KPIs for the business and results for all facilities are reported on a monthly basis to the corporate group, with robust annual data verification processes to ensure data integrity. The major packaging materials recovered from our Australian manufacturing facilities are cardboard and paper (675t recovered for recycling in 2013) and plastics (69t recovered for recycling in 2013). The sites successfully reduced total waste generation per unit of production by 16% from 2012 to 2013, and increased % Recycled from 92% to 93%. Relative to total waste, the amount of paper and cardboard recovered for recycling increased by 18% from 2012 to 2013, and the amount of plastic recovered increased by 5%.
5.	From the waste audit results develop an educational approach to transfer learning's so that all sites are maintaining preferred waste management practices. Target: Company waste management standards documented, achieved and maintained at all sites	Achieved. Waste management standards are incorporated into our nationally aligned ISO14001:2004 certified Environmental Management System. A Waste Audit template was developed and rolled out across our manufacturing facilities in 2013 to embed the requirements of our EMS and global waste management standards. Using our EMS, any gaps vs the standard are addressed through corrective action and review processes, and best practice is shared across sites by the National Environment team to ensure aligned standards are achieved and maintained.

16. Describe any constraints or opportunities that affected performance under this KPI

One of the key constraints for our business is the lack of local recycling options for our flexible film waste. We have identified limited options at some of our facilities for recycling of pre-consumer rewind (clean), however food-contaminated film remains problematic and we continue to actively research options to improve. In 2013, this included:

1. Conducting feasibility assessment at our SA facility on energy recovery from film waste.
2. Evaluating alternative options for pre-consumer film waste recycling. This included engaging with Terracycle, a business that currently collects wastes traditionally considered 'non-recyclable' (landfill or incineration) from our USA facilities for upcycling / recycling.
3. Expanded programs at our sites to improve packaged waste outcomes. While we are not yet able to recycle the film packaging, the food waste is separated and recovered for recycling to minimise waste to landfill.
4. As detailed under KPI 1, investment in structured Lean and Kaizen programs has identified opportunies to improve efficiencies and to reduce resource use and waste. Significant progress has been made to reduce the amount of film and carton waste in the conversion of our packaged goods, quantified in our film and carton composite measures and Power Steering productivity tracker.

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

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

(●) Yes ( ) No

Provide details of policies and procedures (including names of policies/ procedures)

Our business has a corporate Sustainable Packaging Policy applicable to our Snackfood operations globally, published in our APC Action Plan and available on our corporate website:
http://www.pepsico.com/Purpose/Performance-with-Purpose/Policies

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 96% recycled content for our wood fibre product packaging (corrugates and board) sourced in 2013.

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.

18. Is this policy actively used?

(●) Yes ( ) No

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

	Target: According to your Action Plan, what did you set out to do?	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 evaluated the potential to procure packaging with recycled content. This is reliant on incrementally improving recycled content of our wood fibre products. In 2013, corrugates and board comprised 82% of our packaging material tonnage, with 96% recycled content, an improvement relative to the 2012 result of 94%. Our other main category, flexible film, comprised close to 17% of packaging material tonnage, with no recycled content. It is currently not technically feasible to incorporate postconsumer recycled material into our flexible films due to quality, performance and food safety requirements. This restricts the opportunity for increasing recycled content across our packaging portfolio. An opportunity for 2014 is to identify opportunities to purchase recycled content products beyond packaging, and to assess scope for incorporating recycled content preference into broader supply contracts.
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. We annually monitor expenditure, total weight of product purchased and recycled content for our packaging materials. Relative to our 2011 baseline performance of 76% recycled content, we achieved 77% recycled content in 2012 and improved to 78% in 2013 across our core packaging categories.

20. Describe any constraints or opportunities that affected performance under this KPI

The opportunity to further increase the recycled content of our packaging is constrained at present to incremental improvements in wood fibre products, as we do not yet have feasible options for post-consumer recycled content in our flexible packaging, considering functional quality requirements.

In 2013, our fibre product sourcing was impacted by the closure of a local mill that supplied recycled board for our multi-pack cartons. Alternative sources of recycled board available from our current supplier do not have the necessary functional characteristics for our packaging machines. We executed a number of trials to transition from the recycled corrugated board to a virgin solid fibre board for the multi-pack products, reducing the amount of source material to reduce environmental impact. We assessed the sustainability of the source material to ensure that the supply chain was appropriately managed, consistent with our Policy to only purchase responsibly-sourced wood fibre products. The change was implemented in 2013 and is expected to impact overall recycled content of our packaging in 2014.

Goal 3: Product Stewardship

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

21. 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

Provide details of policies and procedures (including names of policies/ procedures)

We have well-established processes in place to collaborate with our key packaging suppliers to improve packaging design, including a commitment to continuous improvement included in supply contracts and expectations for collaboration documented in our Procurement Request for Tender document with specific reference to the APC and SPG, and supplier participation in our cross-functional SPG Packaging Reviews. As we roll out each packaging 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.

The principal mechanism for technical collaboration to improve design of packaging is through Value Engineering meetings between our R&D departments, considering sustainability outcomes within project discussions. NPD and communications with suppliers in relation to packaging design are extensive, presenting a challenge for resourcing to formally summarise and document progress. In 2014, we will more clearly define and formalise packaging development collaboration.

In terms of collaboration to improve recycling and reduce / eliminate waste, our Waste Tender documentation (RFP and Waste Management Evaluation scoresheet) formally included requirements to collaborate with our sites to monitor and improve waste performance and resource recovery.

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

	Target: According to your Action Plan, what did you set out to do?	Actual: What did you achieve?
1.	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	Work in progress. Our manufacturing facilities have already implemented take back initiatives where feasible for return of packaging for re-use, such as used chemical containers, potato crates and returnable pallets, and continue to seek opportunities to meet annual waste reduction objectives. In 2014, we will target a formal documented review of packaging take-back options to identify any further opportunities.
2.	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	Work in progress. As reported above, supplier take back schemes have been implemented for re-usable potato crates, returnable pallets and chemical containers (IBCs), with recycling avenues identified for smaller pack sizes. Further work is required to establish quantified monitoring systems and to embed packaging take-back schemes into supply contracts, and this will be assessed as contracts are due for renewal.

3.	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	Achieved. We are a member of Supplier Ethical Data Exchange (SEDEX), a collaborative platform that allows a secure exchange of data relating to CSR performance. We utilise SEDEX to drive transparency and social accountability in our supply chain. All suppliers of our major packaging categories by volume (corrugates, carton board and flexible film) are SEDEX members. In addition, we have globally established our Supplier Code of Conduct (SCoC) to clarify our expectations in areas of labour practices, Health & Safety, environmental management and business integrity (Refer www.pepsico.com/FileDownload/Get?id=/Assets/Download/supplier_code_of_conduct/ENGLISH_SCOC_2013.pdf). We include our SCoC in base contracts to ensure our suppliers are accountable to its principles and have developed on-line training to support our suppliers to understand and comply with the SCoC.
4.	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.	Achieved. SPG criteria are included in our Request for Tender documentation, as evidenced by the Tray Tender completed in 2013. Packaging sustainability requirements are integrated into contracts on renewal.

23. Describe any constraints or opportunities that affected performance under this KPI

Further work undertaken, not detailed in action plan:

All waste contracts were reviewed to formally incorporate requirements supporting APC aims for improved on-site recycling. The national review process finalised in 2013 established collaboration criteria for waste data reporting and continual improvement initiatives to drive improved outcomes. As reported under KPI 3, total waste generation per unit of production reduced by 16% from 2012 to 2013, and % Recycled improved from 92% to 93%.

Opportunity for improvement in 2014:

There is extensive correspondence and discussion between our packaging suppliers and our technical and procurement functions, which presents a challenge for resourcing to regularly document outcomes. While collaboration processes are well established with our key suppliers and occur on a continuous basis, we recognise the opportunity to summarise and consolidate the work undertaken in our APC Records and will target ways to improve this in 2014.

KPI 7: % signatories showing other Product Stewardship outcomes.

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

	Target: According to your Action Plan, what did you set out to do?	Actual: What did you achieve?
1.	Liaise with major suppliers to investigate the potential for a corrugated cardboard reuse cycle for shelf ready packaging. Target: Research into reuse schemes for shelf-ready packaging completed with major suppliers	Achieved. Shelf Friendly Packaging design was conducted in collaboration with our supplier, VISYBoard, to meet our retail customer specifications. Given the requirements of SFP, the SFP carton design is single use only and is not able to be re-used. 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, however we will continue to monitor opportunities.

25. 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

Smith's and Sakata achieved national ISO14001:2004 certification across all Australian and New Zealand manufacturing facilities in 2012, implementing processes to improve consideration of environmental requirements in our business. Certification was maintained for all sites in 2013, and continual improvement was demonstrated with no non-conformances identified during 3rd party audits. In addition to ISO14001:2004, our sites are also required to implement and demonstrate conformance with the PepsiCo Global EHS Management System (GEHSMS) and Standards. From 2012 to 2013, our Australian and New Zealand facilities achieved a 64% improvement in GEHSMS score, with 3 facilities obtaining the highest rating of "World Class". Our EMS supports packaging sustainability by ensuring robust systems are in place to measure, monitor and continuously improve environmental performance, to reduce the environmental footprint of our products and operations.

We continued programs to reduce energy and greenhouse gases per unit production at our manufacturing facilities to improve environmental sustainability of our packaged products, including investment in energy efficient lighting retrofits, a new product distribution system at one of our facilities and improvements to combustion and boiler systems. In August 2013, the business invested in a successful national ReCon Energy Workshop. Cross functional teams from all of our manufacturing facilities attended the workshop held at our Regency Park site. Facilitated by the PepsiCo global Director for Sustainability and in collaboration with our key energy-related suppliers, we assessed energy usage relative to the PepsiCo global best practice resource conservation tool, ReCon, and identified implementable opportunities totalling about 10% of the site's energy consumption. In 2014, ReCon is being deployed at all of our manufacturing facilities, focusing on people, processes and equipment to improve energy efficiency.

We continued to reduce water usage per unit production at our manufacturing facilities to improve environmental sustainability of our packaged products. Globally, PepsiCo set a target for 20% reduction in water usage per unit production by 2015 relative to baseline performance in 2006. As at the end of 2013, our Australian Snackfood facilities had achieved a 28% reduction.

As reported under KPI 3, we continued to improve waste performance in 2013 to reduce the environmental footprint of our products, achieving a 16% reduction in waste generated per unit of production, increasing % recycled from 92 to 93% in 2013, and improving packaging conversion efficiencies in manufacturing.

26. Describe any constraints or opportunities that affected performance under this KPI

Considering the life cycle footprint of our products, as assessed by CSIRO in 2011, we have developed sustainability programs for agriculture to improve productivity and minimise potential environmental impacts. This includes Water Balance initiatives and new crop variety trials to improve yields per unit input. Globally, PepsiCo has developed the Sustainable Farming Initiative to support and work collaboratively with local farmers to improve sustainability outcomes in areas such as irrigation, fertilisation and waste minimisation and the program is being deployed through a dedicated Agronomy team in our business.

Starting in 2012, we identified and implemented opportunities to improve Logistics, optimising Warehousing and Distribution models to improve efficiency and reduce total transport emissions.

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

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

	Target: According to your Action Plan, what did you set out to do?	Actual: What did you achieve?
1.	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	Achieved. In 2012 we completed a review of disposal information on consumer packs and incorporated standardised Tidyman or recycling logos and messaging, as appropriate, into our artwork approval process to ensure that 100% of products were released in 2013 (and ongoing) with correct disposal guidance. Primary and secondary consumer packaging clearly identifies disposal information on-pack to help raise awareness of how to correctly dispose of product packaging. A toll-free number is also provided for consumers should they have any enquiries in relation to our products, including packaging. Our cardboard cartons are readily recyclable, with well-established business and kerb-side collection systems available to encourage recovery. We have not yet identified any viable avenues for recycling of postconsumer flexible packaging and this is reflected in the use of the standard Tidyman logo and "Please Dispose of Pack Thoughtfully" messaging on-pack.
2.	Investigate opportunities to undertake research on branded product propensity to become litter via company product research. Target: Brand propensity to become litter well understood	Achieved. We reviewed the Keep Australia Beautiful National Branded Litter Study 2011-12 and identified that Smith's comprised 0.88% of all branded litter and 5.3% of branded snacks wrappers and packets in 2001-12 (reduced from 1.16% and 6.8% respectively in 2007-08). Sakata products did not register in the 2011-12 survey. We include assessment of propensity to become litter in packaging reviews and have identified that our category most at risk is primary flexible packaging, as the snackfoods may be consumed away from home. Separable components are minimised: Consumption units are typically individual packs, with some individual-portion multipacks contained in either cartons or secondary flexible packs.
3.	Explore opportunities around providing financial support to relevant anti-litter program (with results of company research). Target: Review of available opportunities	Ongoing work. Our Helping Hands program supports a number of organisations, including Clean Up Australia, through workplace giving. In 2013, our employees donated around 1000 hours to volunteering activities across the Helping Hands program. Our employees directly supported Clean Up Australia with charitable donations of $2,729 and participation in 4 company Clean Up Australia events.

28. Describe any constraints or opportunities that affected performance under this KPI

As reported under KPI 3, one of the key challenges for our business is the lack of recycling avenues and collection systems for post-consumer laminated flexible film packaging. We are exploring a Product Stewardship model implemented by our U.S business which helps to encourage return of used packaging for upcycling / recycling and we are making progress towards anti-litter initiatives through our Helping Hands program and support for Clean Up Australia.

Work undertaken in 2013, not detailed in action plan:

We engaged with Clean Up Australia to establish Clean Up sites for our manufacturing facilities to reduce litter in our local communities. Four of our manufacturing facilities held Clean Up Australia days, increasing from one site in 2012. Thirty two team members allocated their company-provided volunteer hours to assist in rubbish collection and landscaping activities at local sites. The events were promoted nationally via our intranet and ANZ Newsletters, and our Site Helping Hands Committees supported local planning and organisation. Our goal is to increase the participation of all of our sites and employees year on year, raising awareness through internal promotion.

We reviewed on-site litter monitoring programs at our facilities to limit litter generation. We referenced litter in our published Leadership Journal Guides to raise awareness and to encourage active monitoring through routine Leadership 'Safety Walks'. Our manufacturing facilities include litter in routine Site Inspections incorporated into our ISO14001-certified EMS. In 2014, we plan to improve documentation of litter outcomes to report specific improvements.

We started evaluating Product Stewardship models available locally to encourage recycling of postconsumer packaging. Since 2009 PepsiCo operations in the USA have partnered with Terracycle to sponsor chip bag brigades, helping to encourage consumers to sign up and recruit others to collect chip bags for recycling. Following initial discussions with Terracyle in 2013, we plan in 2014 to assess the scope of application of this model to our products, and to research other options available locally to encourage return of used packaging for recycling.

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.

29. Key achievements or good news stories

Smith's and Sakata have made good progress across our Action Plan.

In 2013, packaging review benefits included:
1. Improved SFP corrugates outcomes, achieved through collaborating with our supply partner to identify and trial an alternative corrugate structure. In addition to reducing source material, supply chain co-benefits included a reduction in pallet transport due to a higher number of units per pallet from our supplier;
2. Improved primary flexible pack barrier properties without increasing base polymer source material, to extend premium quality period, providing scope for reduced spoils to minimise disposal of packaged food waste;
3. Identified and commenced investigations into charge compaction technology to further improve packaging:product ratio.

In manufacturing, we improved the efficiency of use of our packaging materials, as routinely monitored through our film and carton composite metrics. We improved waste reduction and resource recovery on-site through initiatives including:
1. Investment in Lean / Kaizen training and resources to identify and implement waste reduction initiatives;
2. Optimised slicing to reduce wastage due to chip-in-seal;
3. Optimised equipment settings and flexible film change-overs;
4. Energy and water efficiency programs across our facilities to reduce our environmental footprint;
5. Continual improvement in our ISO14001-certified EMS, with no-nonconformances identified by the 3rd party auditor and an improvement of 64% in the PepsiCo Global EHS management System rating;

To support anti-litter programs:

1. We engaged with Clean Up Australia to hold Clean Up Days at 4 sites in 2013, increased from 1 in 2012; and
2. Reviewed a Product Stewardship model to encourage consumer return of packaging for recycling through a company that partners with our US operations. Further work is planned to explore locally available options in 2014.

From an APC governance perspective, we improved Executive Leadership Team engagement, with further APC sponsorship planned in 2014 through periodic attendance of selected ELT members at Quarterly APC Committee Meetings.

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

Flexible packaging (composite polymer structure) is our principal challenge: Recycling avenues are limited, both pre- and post-consumer, and this category presents a higher risk than our other packaging categories from a litter perspective. Considering this, we have focused on a range of strategies to minimise source material and reduce waste, as described in the Key Achievements section, and continue to investigate alternative structures and options to improve litter outcomes.

From an APC program management perspective, one of the challenges we have faced is resourcing to regularly document the extensive work routinely undertaken to improve packaging across a range of business units. We have improved management through a national shared folder to ensure that all APC team members can readily locate supporting information relating to each of the Covenant KPIs.