



Signatory Name: The Smiths Snackfoods Company & Sakata Rice Snac

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

Status: Complete

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

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 2013 – 30 June 2014
- Calendar Year: 1 January 2014 – 31 December 2014

8. Please indicate the entire period your accepted APC Action Plan covers (e.g. 2011-2014)

Start Date:

End Date:

Goal 1: Design

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

9. 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 embedded the Sustainable Packaging Guidelines into relevant Procurement, Innovation, Product Development, Environmental and Manufacturing business systems.

Our Global Sustainable Packaging Policy, available at http://www.pepsico.com/docs/album/policies-doc/pwp/global_pack_policy.pdf?sfvrsn=2 establishes the foundation for our packaging sustainability commitments.

The requirements to evaluate and procure packaging using the SPG or equivalent are incorporated into 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). APC requirements are also referenced in our manufacturing Waste Audit and Snapshot Inspection Checklists, to monitor on-site packaging waste and recycling processes and litter.

10. 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?

%

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

Yes No

12. 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

%

13. 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.	Establish an APC Team to manage company APC obligations and integration into business systems. Target: Terms of reference adopted by Team	Achieved. Smith's and Sakata established the APC Team in 2011 with a documented Charter to provide leadership for the management of our APC commitments. APC governance has been maintained through a cross-functional team including the: <ul style="list-style-type: none"> • Procurement Packaging Manager • Marketing Manager • Health, Safety, Environment and Quality Director • National Environment Manager • R&D Director Packaging - Snacks and Food. <p>In 2014, following consultation with the Executive Leadership Team, the APC team was expanded to include the National Customer Marketing Manager and Marketing Commercialisation Manager, to strengthen organisational understanding of APC aims and to further develop APC program scope.</p>
2.	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 bi-annual meetings and action tracking. In addition, an Executive Leadership Team member attended an internal APC Committee Meeting in 2014 to sponsor outcomes.

3.	Review 50% of existing packaging against SPG by 2015. Target 10% existing packaging reviewed each year	<p>Achieved. To date, we have reviewed 88% of existing packaging categories, and plan to complete 100% by the end of 2015.</p> <p>Our approach was to focus initially on the flexible film and corrugate packaging category reviews, completed in 2012 and 2013, as these comprised more than 80% of our packaging material tonnage and presented greater opportunity.</p> <p>In 2014, we reviewed thermoformed trays and commenced the fibreboard review.</p>
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	<p>Achieved. The scope of new packaging has broadened as our understanding of APC aims has developed, and it now includes new packaging materials, formats, dimensions and properties. In addition, in 2014 we extended the SPG review process to include Marketing initiatives, such as limited promotional packaged samples that may fall outside the traditional scope of our New Product Development process.</p>
5.	Incorporate SPG into packaging checklist in new product development process. Target: SPG completed for new packaging during new product development process	<p>Achieved. In 2014, the Packaging development team has fully embedded SPG requirements into new product development (NPD) processes, with a broadened scope to review all new packaging formats, sizes or materials for both commercial and promotional launches. The SPG outcomes are communicated during our gated review process to ensure that they are considered during new product development and launch processes</p>
6.	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	<p>Work in progress. Monitoring of bio-structure developments continued in 2014, with records maintained of the global PepsiCo review presented at the PepsiCo Global Packaging Meeting in May 2014. This is a long-term development project and no suitable materials with the necessary technical specifications were identified for commercialisation in 2014.</p>
7.	Target: Research on optimising corrugate structures to meet new supply chain requirements	<p>Achieved. In 2014 we continued to commercialise the new corrugate structure introduced in 2013 to optimise performance and sustainability outcomes for our Shelf Ready Packaging (SRP) carton range. We work collaboratively with our customers and suppliers and routinely monitor opportunities to optimise board design, consistent with the specific functional characteristics required for our product ranges.</p> <p>The commercialisation of the alternative corrugate structure relative to the original SRP design reduced source material and, as reported in 2013, also provided additional supply chain benefits through a 25% increase in board units per pallet, reducing the number of pallets delivered, with associated transport fuel reduction and pallet movement reduction in our manufacturing facilities.</p>
8.	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	<p>Completed. In 2014 we continued to realise the benefits of the end seal reduction initiative across our flexible film packaging range. Equipment has been adjusted at all of our manufacturing facilities to maintain end seal performance. The requirements are fully embedded into our packaging specifications, so all new bag designs in 2014 incorporated the optimised end seal design.</p>

9.	Conduct “right sizing” review of all chip packaging bags. Target: Research on right-sizing for chip packaging bags completed	<p>Achieved. The pack sizing protocol is embedded into the NPD process, to optimise new formats in line with manufacturing and marketing requirements. In 2014, we continued to deploy our right sizing methodology across NPD and productivity projects.</p> <p>Through this initiative, we achieved a source material reduction of 19,2t of film and 16.4t of corrugated board in 2014.</p> <p>While we have reviewed and established protocols for right sizing using our current manufacturing technology, in 2014 we also commenced research into new packing technology with potential to further optimise packaging size and reduce source material. Work will continue in 2015 to assess commercial feasibility.</p>
10.	Investigate options for fully recyclable packaging for chip bags. Target: Research completed on recyclable bag options	<p>Work in progress. As for bio-structures, our R&D team continues to monitor developments in this field. No feasible fully recyclable materials have been identified in 2014 with the necessary performance characteristics to meet quality, and consumer and customer expectations.</p>
11.	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	<p>Achieved. We have established baseline performance and maintain robust processes to routinely measure, report and monitor efficiency of use of film and carton packaging by line across all Smith's and Sakata facilities.</p> <p>In 2014, we continued to invest in our structured Lean / Kaizen programs to improve performance, with more than 70 active projects targeting waste reduction and efficiency across our Australian manufacturing facilities. The program is sustained through a dedicated team to coordinate activities, formal workshops and training to improve capability, global benchmarking and best practice sharing. Initiatives are documented and tracked using a shared Productivity platform.</p> <p>These initiatives helped to deliver improved efficiency of use of our core packaging materials in 2014, with an increase of 0.4% in our film composite metric and an increase of 0.3% in our carton composite metric relative to 2013. This built on the film and carton efficiency improvements of 0.5% and 0.3% respectively delivered from 2012 to 2013. Across our facilities, this equates to a significant reduction in film and board used in the conversion of our packaged products, helping to reduce the environmental footprint.</p> <p>Initiatives in 2014 included optimising machine settings and processes, automation investment and training to sustain improvements.</p>
12.	Review standard packaging recycling logos for consistency with AS/NZS 14021 – Environmental labels and declarations. Target: All packaging recycling logos reviewed against the AS / NZS standard	<p>Achieved. All packaging, including outer trade facing units (cartons) and inner consumer facing packaging (the packs themselves), is compliant with AS/NZS 14021. This is verified for all new products during the artwork process and on existing products should any changes occur to the detail of the standards.</p>

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

As we have increased our understanding of the SPG, we have adapted and continually improved the application of the guidelines to new packaging. In 2014, the scope encompassed all new packaging materials, formats, dimensions and properties, for NPD as well as Marketing initiatives such as limited promotional packaged samples.

We have also continued to embed SPG principles into our operational systems, and actively implemented opportunities to improve resource efficiency and reduce environmental impact through formal documented Productivity programs.

In 2014 we incorporated APC aims into targeted Sustainability training materials and an Executive Leadership Team Governance forum to continue to raise awareness of our commitment and opportunities.

Goal 2: Recycling

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

15. 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

16. 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.	<p>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>	<p>Achieved. All Smith's and Sakata manufacturing locations have well developed on site collection and waste recovery systems. We recycle used packaging, including cardboard and rewind cores, paper, toner cartridges, comingle, plastics, film, strapping, seasoning bags, reusable potato crates, timber and empty containers.</p> <p>Our waste reduction and recycling programs for packaging materials and non-packaging waste (such as food waste, starch, scrap metal, oils and compostable wastewater treatment organics) have delivered ongoing annual improvement across our snacks manufacturing facilities, from 92.6% recycled in 2013 to 93.4% recycled in 2014.</p> <p>In addition to manufacturing and warehouse recycling programs, the business has established recycling systems in administrative locations such as head office and R&D facilities, targeting paper, comingle waste and printer cartridges.</p>
2.	<p>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>	<p>Achieved. In 2014, waste education was delivered to employees through General Environmental Awareness and Waste Management Training. All manufacturing sites monitor waste recycling and waste generation performance and regularly communicate KPI performance to employees to maintain awareness.</p> <p>In addition, our APC Action Plan is referenced in the annual PepsiCo ANZ Safety Leadership Journal, together with Safety Walk checklists including waste and litter inspection items, to further raise awareness of core waste requirements.</p>

3.	<p>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</p>	<p>Achieved. Minimum annual Waste audits (including specific reference to APC requirements) and monthly Inspections are embedded into our ISO14001 certified EMS. All sites maintain audits to evaluate compliance with the ANZ EMS and the global PepsiCo Waste standard, and to promote continual improvement.</p> <p>Waste generation and recycling data is reported and reviewed monthly at a facility and national level, and entered into the global PepsiCo Measure Up system. Robust data verification and certification processes are in place to ensure data integrity to inform improvement programs. Any issues identified during audits and routine inspections are subject to corrective action processes under ISO14001 and PepsiCo Global EHS Management System requirements.</p> <p>In 2014, the business deployed PepsiCo global Waste Diagnostics to assess performance and identify improvement opportunities. All ANZ manufacturing sites completed a self assesment to establish baseline performance and document improvement areas. These will be independently audited by internal resources and our external certification partner in 2015.</p>
4.	<p>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>	<p>Achieved. All Smith's and Sakata manufacturing sites have established reporting systems to monitor weight and percentages of waste streams, compliant with global PepsiCo sustainability data management standards. 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 for global external reporting.</p> <p>The Smith's and Sakata manufacturing sites reduced total waste generation per unit of production by 3% from 2013 to 2014, building on a 15% improvement from 2012 to 2013, and concurrently increased percent waste recycled from 92.6% in 2013 to 93.4% in 2014.</p> <p>This translated to a 13% reduction in waste to landfill per unit of production from 2013 to 2014, adding to a 16.6% reduction from 2012 to 2013.</p> <p>Major packaging materials recovered are cardboard and paper (687t recovered for recycling in 2014, a 2% increase from 2013) and plastics (58t recovered for recycling in 2014, a 16% reduction from 2013). Plastic recycling was impacted in 2014 by loss of a recycling avenue for flexible film. The clean film is being held on site while we try to identify a suitable new recycling option.</p>

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	<p>Achieved. As reported in 2013, waste management standards have been documented in the PepsiCo Global EHS Management Technical Standards and incorporated into our nationally aligned ISO14001 certified Environmental Management System (EMS).</p> <p>Outcomes of the global PepsiCo Waste Diagnostic in 2014 were communicated via a national review meeting to transfer learnings and facilitate best practice sharing. This approach ensures the achievement and maintenance of aligned company standards across the business.</p>
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17. Describe any constraints or opportunities that affected performance under this KPI

One of the key constraints for our business nationally is limited local recycling avenues for flexible film waste. We have identified solutions at some of our facilities for recycling of pre-consumer film (clean), however food-contaminated film options are limited and we continue to actively research opportunities to improve. In 2014, this included:

1. Identifying collaborative options to improve waste recycling through NSW OEH Sustainability Advantage. Through this partnership and engagement with industry peer groups, Smith's and Sakata will continue to seek new solutions for flexible film recycling from our manufacturing facilities.
2. Engaging with a business that collects wastes traditionally considered "non recyclable" (landfill or incineration) from our USA facilities for upcycling / recycling. The business was not yet able to offer a similar service in Australia for our manufacturing wastes, however we will continue to monitor this.
3. Continuing to expand programs at our sites to improve packaged waste outcomes. While the flexible film component is not yet recyclable, food waste is increasingly separated from packaging where possible for recycling, to minimise waste to landfill.
4. Continuing to invest in our Kaizen program to improve efficiencies and to reduce resource use and waste.

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

18. Does your company have a formal policy of buying products 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/docs/album/policies-doc/pwp/global_pack_policy.pdf?sfvrsn=2

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.

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.

19. Is this policy actively used?

- Yes No

20. 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	<p>We have established baseline recycled content for our packaging categories and have evaluated the potential to procure packaging with recycled content.</p> <p>In 2014, wood fibre based products - corrugate and board - comprised 83% of our packaging material tonnage. The majority of this material was corrugate, optimised at 99% recycled content. The carton board contained no recycled material and represents the main opportunity to improve overall packaging recycled content. This has established the maximum potential target, noting that strength and functional requirements must be maintained to meet our production and marketing needs.</p> <p>Our other main category, flexible film, comprised 16% of packaging material tonnage, with no recycled content. The opportunity to increase recycled content of this category is currently restricted by quality, performance and food safety requirements.</p> <p>In 2014, our PET trays comprised 1% of packaging material tonnage, with 20% recycled content.</p>

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	<p>Achieved. We annually monitor expenditure, total weight of product purchased and recycled content for our packaging materials. In 2014 we achieved 68% recycled content across our core packaging categories, reduced from 78% in 2013, 77% in 2012 and 76% in 2011.</p> <p>Following sustained year on year improvement from 2011 to 2013, the result in 2014 was impacted by the sourcing of a carton board with no recycled content, due to the closure in 2013 of a local recycled paper mill. We completed a number of trials before transitioning from a recycled laminated board to a virgin solid fibre board for our multi-pack products, as production trials indicated that the solid board was required to meet functional needs.</p> <p>We assessed the sustainability of the solid board to ensure that the supply chain was appropriately managed, consistent with our Policy to only purchase responsibly-sourced wood fibre products. In addition, to reduce the environmental impact, the amount of virgin paper was minimised to reduce source virgin fibre material.</p> <p>We will work with our supplier in 2015 to assess scope for recycled content, while maintaining the necessary functional characteristics.</p>
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21. Describe any constraints or opportunities that affected performance under this KPI

The key opportunity to increase the recycled content of our packaging is improvement in recycled content of wood fibre products, as we do not yet have feasible options for post-consumer recycled content in our flexible packaging, and wood fibre products comprise the majority of our packaging tonnage. In 2015 we will assess further opportunities to increase recycled content.

We also recognise the opportunity in 2015 to identify scope for introducing recycled content across a broader range of items procured, beyond packaging, in our manufacturing and office facilities.

Goal 3: Product Stewardship

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

22. 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)

Processes in place to collaborate with our key packaging suppliers include a statement of commitment to continuous improvement in supply contracts and expectations for collaboration documented in our Procurement Request for Tender document, with specific reference to the APC and SPG, as well as supplier participation in our 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. Regular business review meetings also provide an opportunity to discuss new packaging requirements and solutions.

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.

In terms of collaboration to improve recycling and reduce / eliminate waste, our Waste Tender and Contract documentation formally includes requirements to collaborate with our sites to monitor and improve waste performance and resource recovery.

23. 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 locally manage relationships with suppliers to identify and implement opportunities for return of packaging for re-use. This is already in place for potato crates, returnable pallets and large containers. Return of smaller chemical containers is constrained by existing contractual conditions and will be re-assessed at the time of re-tender. In 2014, this requirement has been discussed with Procurement to highlight the opportunity for future contracts.
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 options implemented for smaller pack sizes. The opportunity to embed packaging take-back schemes into supply contracts will be assessed as contracts are due for renewal. In 2014 the Procurement Category Review process was updated to formally identify categories requiring Environment Manager consultation during procurement tender and contract development processes. This establishes the framework for sustainability opportunities to be considered more broadly across the business on an ongoing basis.

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	<p>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.</p> <p>In 2014 our focus was on rolling out the PepsiCo global Supplier Code of Conduct (SCoC) to clarify our expectations in areas of labour practices, Health & Safety, environmental management and business integrity (Refer http://www.pepsico.com/docs/album/responsible-sourcing/ENGLISH_SCOC_2013.pdf?sfvrsn=2.pdf).</p> <p>This was supported with on-line training to assist our suppliers to understand and comply with the SCoC. In addition, our Procurement team was required to complete on-line training and assessment for the SCoC.</p> <p>In 2014, the SCoC was formally embedded into base contract templates to ensure our suppliers remain accountable to its principles.</p>
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.	<p>Achieved. SPG criteria are included in our Request for Tender templates and packaging sustainability requirements are integrated into contracts on renewal. No supply contracts were renewed for packaging in 2014, and requirements will be included in 2015 tenders.</p>

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

Further work undertaken, not included in action plan:

In 2014, written agreements were established for waste contractors across our business. Waste contracts were reviewed to formally incorporate requirements supporting APC aims for improved on-site recycling systems, as well as collaboration criteria for waste data reporting and continual improvement initiatives.

In 2014 we attended APC and AFGC forums to network with peers and identify opportunities to improve performance. We also engaged with NSW OEH Sustainability Advantage to identify opportunities to collaborate on improved recycling outcomes. In 2015 we plan to work with Sustainability Advantage to progress waste initiatives for flexible film.

In 2015, we also plan to further engage with Planet Ark to understand the scope of application of PREP to our operations.

KPI 7: % signatories showing other Product Stewardship outcomes.

25. 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.	<p>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</p>	<p>Achieved: We worked with CSIRO to complete 2 full Life Cycle Assessment studies in 2011, to calculate the carbon and water footprints of a 175g Potato Chip package. The research provided us with strategic insights into the environmental impacts associated with our products, including the contribution of packaging.</p> <p>Based on the LCA, agricultural inputs are a major contributor to our product footprint. In 2014 we commenced rollout of the PepsiCo global Sustainable Farming Initiative to support and work collaboratively with local farmers to improve sustainability outcomes in areas such as irrigation, fertilisation and waste minimisation.</p> <p>In 2014 we extended our collaboration with CSIRO by participating in a project to understand the potential impacts of climate change in the agrifood sector. The project increased awareness of new and relevant mitigation and adaptation strategies available within our value chains.</p>
2.	<p>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</p>	<p>Achieved. In 2013 we conducted Shelf Ready Packaging design in collaboration with our supplier, VISYBoard, to meet our retail customer specifications. Given the current specifications of SRP, the carton design is single use only and is not able to be re-used, however our customers have robust processes in place to recycle the board.</p> <p>In 2014 we identified a co-benefit of the transition to SRP formats - the opportunity to redesign and replace some of our marketing displays, to deliver significant source material reduction. We reduced our Point of Sale (POS) cardboard waterfall displays, achieving an estimated annual saving of 90t of board. In addition, in 2014 we redesigned our POS racks for launch into the market in 2015, optimising the structure to achieve an estimated annual saving of 25 t of metal and 5t of plastic. These changes also deliver a reduction of up to 33% in outer packaging for the POS display racks, with an associated reduction in shipping and storage.</p>

26. 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

In 2014 Smith's and Sakata progressed a range of product stewardship initiatives across our business and value chain, in addition to the strategic CSIRO and Sustainable Farming Initiative projects referenced above.

We successfully obtained RSPO certification in 2014 covering 100% of our palm oil purchases to progress our responsible sourcing goals. We also focussed on proactively communicating our global Supplier Code of Conduct and embedding it into all procurement contracts to ensure that those we work with operate ethically and responsibly.

Within our direct operational control, in addition to the waste improvements discussed in KPI 3, in 2014 we sustained improvement in energy and water efficiency to reduce the environmental footprint of our manufactured products. Relative to 2013, Smith's and Sakata manufacturing operations delivered a 14% reduction in water usage per unit of production and an 11.5% reduction in energy usage per unit of production, through a wide range of initiatives coordinated by our ReCon (Resource Conservation) teams. The global best practice PepsiCo ReCon program summarises the work of technical experts to build skills in critical energy and water using systems. This ensures that daily best practices are implemented and maintained, and provides a mechanism to share world-class resource conservation projects across the business.

As reported under KPI 1, we maintain an effective Kaizen program to reduce waste and maximise efficiency, which has delivered year on year improvement in packaging conversion. This reduces source material requirements, associated life cycle production impacts, and also minimises waste disposal and recycling impacts.

In 2014, our Australian business invested in major projects to optimise Warehousing and Distribution models to improve efficiency and reduce total transport emissions.

We achieved national ISO14001:2004 certification across all Australian and New Zealand manufacturing facilities in 2012, and in 2013 and 2014 maintained certification with no non-conformances. Our EMS supports packaging sustainability by ensuring robust systems are in place to measure, monitor and continually improve environmental performance, to reduce the environmental footprint of our products and operations.

One of the key challenges for our business, and many other FMCG companies, is limited collection and recycling avenues for post-consumer laminated flexible film chip packets. We assessed a Product Stewardship model adopted by our USA business, which provides consumers with incentives and avenues to collect used flexible packaging for recycling, however this specific model was considered not yet feasible for our Australian business.

In 2014 we explored options to improve flexible film sustainability and identified opportunities with the UNSW and the NSW OEH Sustainability Advantage program. Through these associations, in 2015 PepsiCo plans to learn about new approaches to create value from flexible film waste. Our aim is to understand longer term opportunities to create markets for flexible films and encourage recovery.

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

In 2014 we made significant progress across a spectrum of environmental sustainability programs, including waste reduction, water and energy efficiency improvements in our manufacturing operations, manufacturing packaging conversion efficiency improvements, core Environmental Management System development, Supply Chain optimisation, Palm Oil certification and engagement with the CSIRO on value chain climate change adaptation strategy.

To improve reporting of progress against product stewardship goals, we plan to update our APC Action Plan to include specific targets in 2015.

A key area of focus is flexible film sustainability:

- Partnering with UNSW and Sustainability Advantage to research new ways to create value for flexible film waste
- Investigating energy from waste opportunities for our film waste
- Monitoring product stewardship models to encourage recovery of post-consumer flexible film packaging

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

28. 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	<p>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. This has been progressively applied to our range for new and updated designs.</p> <p>In 2014 the new standard was applied to 100% of new product packages. By the end of 2015, our full product range will carry the new disposal guidance and consumer information.</p> <p>Disposal information is clearly identified on-pack for primary and secondary consumer packaging to help raise awareness of correct packaging disposal and recycling. A toll-free number is also provided for consumers should they have any enquiries in relation to our products or packaging. Our cardboard cartons are recyclable, with well-established business and kerb-side collection systems available to encourage recovery. We have not yet identified 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.</p>
2.	Explore opportunities around providing financial support to relevant anti-litter program. Target: Review of available opportunities	<p>Achieved. PepsiCo ANZ continues to support the Clean Up Australia anti-litter program. In 2014, we established 6 Clean Up sites for our Head Office and manufacturing teams in NSW, QLD, SA, Vic and WA. This increased from 4 sites in 2013 and 1 in 2012.</p> <p>56 PepsiCo team members participated in the Clean Up days, using their company-provided volunteer hours to remove more than 65 bags of rubbish, and to help with bush regeneration activities in our local communities. This was a 75% increase in participation from 2013.</p> <p>In addition, our employees directly donated to Clean Up Australia in 2014 through the PepsiCo Helping Hands workplace giving program.</p> <p>The events were promoted internally via PepsiCo Newsletters, site Helping Hands Committees and our PepsiCo Ambassadors, and we engaged with local councils to complement Clean Up activities.</p> <p>Our goal is to increase the participation of our sites and employees year on year.</p>

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

We are making good progress in anti-litter initiatives through our support for Clean Up Australia, and will continue to organise and promote activities to engage our employees in litter reduction at work and in the community. In addition to company arranged external Clean Up Days, we have integrated litter checks into our Leadership Journal Guides and Snapshot Inspections to monitor onsite litter, increase employee awareness and encourage innovative solutions to prevent litter. In order to improve our ability to quantify progress in our APC report, we will formally include site litter targets in our Action Plan in 2015.

Our packaging category most at risk of littering is primary flexible film packaging. The Keep Australia Beautiful National Branded Litter Study 2011-12 identified that Smith's comprised 0.88% of all branded litter and 5.3% of branded snacks wrappers (improved from 1.16% and 6.8% respectively in 2007-08). Sakata products did not register in the 2011-12 survey.

Our packaging artwork has been updated with standardised recycling and disposal information to encourage appropriate consumer behaviour. As noted under KPI 7, further work is planned to:

1. Identify a suitable product stewardship model for our products, to support the collection of post consumer flexible film packaging. We initially assessed a model adopted by our USA business, which provides consumers with incentives and avenues to collect used chip bags for recycling, however this specific program was considered not yet feasible for our Australian business.
2. Identify initiatives to create value from laminated flexible film wastes to encourage 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.

30. Key achievements or good news stories

In 2014 we supported APC goals through improved environmental outcomes across multiple areas of our business and our product life cycle.

The benefits of earlier source material reduction projects were realised in 2014, including optimising the corrugate structure for SRP, end seal reduction and right sizing of bags. In 2014, our Packaging Development Team worked closely with our film supplier to identify further improvement opportunities, planned to be commercialised in 2015. This included initiatives to reduce source material and increase recycling, and to optimise laminate structures.

By embedding the SPG and associated design protocols into NPD and Stagegate review processes, the business is continuing to raise awareness of our APC commitments and opportunities.

The focus on packaging design efficiencies has been supported by gains in manufacturing efficiencies, with year on year improvement in film and board conversion. The business has resourced Kaizen training programs to increase our capability to optimise processes and deliver productivity, with more than 70 projects in 2014 targeting waste reduction and efficiency across our Australian manufacturing sites.

The manufacturing efficiencies have aligned with improved sustainability performance across energy, water and waste, reducing the environmental footprint of our manufactured packaged products.

At the same time, we have continued to develop our ISO14001 certified Environmental Management System to holistically manage our environmental impacts and to drive continual improvement.

We have also worked to better understand our product life cycle impacts and have improved Supply Chain sustainability through RSPO certification for our palm oil, and commenced our Sustainable Farming Initiative.

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

We recognise that flexible packaging is our principal opportunity, with limited pre- and post-consumer recycling avenues. Following on from our work to reduce source material and minimise waste, we plan to increase our focus on collaborative recycling and product stewardship models in 2015 to develop longer term solutions.