



Signatory Name: The Smith's Snackfoods Company Limited & Sakata R

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

Status: In Progress

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 2015 – 30 June 2016
- Calendar Year: 1 January 2016 – 31 December 2016

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

Our Global PepsiCo Sustainable Packaging Policy is available at:

<http://www.pepsico.com/docs/album/policies-doc/pepsico-sustainable-packaging-policy.pdf?sfvrsn=0>

The policy outlines our commitment to strive for the smallest possible environmental footprint while still meeting the value, cost and performance criteria expected from consumers and customers. The Policy describes our aspirations to:

- Increase the use of recycled content or materials from renewable sources;
- Optimise packaging design to use the fewest materials necessary;
- Promote the use of materials that can be recycled or recovered;
- Minimise post-industrial waste;
- Avoid negative impacts to the environment; and
- Achieve a lower carbon footprint by ensuring efficient energy usage across the product lifecycle.

Smith's and Sakata have embedded the Sustainable Packaging Guidelines into relevant Procurement, Innovation, Product Development, Environmental and Manufacturing business systems. The requirements to evaluate and procure packaging using the SPG or equivalent are incorporated into procedures including 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 Inspection Checklists, to monitor on-site 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.	<p>Maintain an APC Team to manage company APC obligations and integration into business systems.</p> <ul style="list-style-type: none"> Establish new team by December 2016 and formalise Team Charter 	<p>Smith's and Sakata maintained a cross-functional APC team to manage APC commitments in 2016, with new team members to continue to strengthen organisational understanding of APC aims.</p> <p>The team members represent different functions across our business, to support consideration of packaging sustainability across our product lifecycle:</p> <ul style="list-style-type: none"> Procurement Packaging Manager ANZ Senior Engineer Food Packaging Senior Manager Productivity Senior Environment, Health & Safety Manager ANZ Environment and EHS Compliance Manager Marketing Commercialisation Manager Sales Director Field Sales Corporate Communications Manager IT Director and member of the Executive Leadership Team
2.	<p>APC Team to meet regularly to discuss action plan implementation.</p> <ul style="list-style-type: none"> Minimum bi-annual APC team meetings, formalise timetable. 	<p>In 2016 this objective was met through several forums. Our focus was to develop understanding of the APC and our packaging sustainability actions, considering many new people in our business. This included:</p> <ul style="list-style-type: none"> APC Team meeting to align corporate actions and APC goals Meetings with new APC Team functional leads individually to discuss suitable goals and continue to update our Action Plan. Presentation to new Executive Leadership Team to discuss APC and corporate packaging sustainability actions.
3.	<p>Continue to review all new packaging against Sustainable Packaging Guidelines.</p> <ul style="list-style-type: none"> 100% of new packaging reviewed against SPG each year 	<p>In 2016 the Packaging Development team completed documented reviews of 100% of new packaging against SPG requirements, for all new packaging formats, sizes or materials for commercial and promotional launches.</p> <p>The SPG outcomes were communicated during our gated review process to ensure that they were considered during new product development and launch processes.</p>

4.	<p>Continue to implement improvement strategies identified during reviews of existing products. 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>In 2016 we continued to implement and enhance improvement strategies identified during reviews of existing products, including:</p> <ul style="list-style-type: none"> • We qualified new laminate structures for our products, collaborating with our flexible film supplier to reduce source material while meeting our quality requirements. This delivered a polymer saving of 9.4t in 2016. • We saved a further 34.5t of polymer by collaborating with our film supplier on a re-use initiative. • We developed accurate mathematical models to optimise bag sizes for Potato Chips and Tortilla Chips to minimise source material and streamline manufacturing set-up, reducing factory trials and waste. Those models will be implemented across all snacks products in 2017. • We optimised our Sunbites Popcorn packaging delivering an annual saving of 4.4t of film and 4.1t of corrugated board. • We collaborated with a customer to optimise product packaging, reducing flexible film use and cube by 11%. • Our Sales Team developed new display units for our Red Rock Deli Nuts launch with improved environmental lifecycle performance, more durable than cardboard, containing 50-100% recycled content and 100% recyclable.
5.	<p>Monitor PepsiCo global research into 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>Following successful trials in 2015, we continued in 2016 to substantiate the application and feasibility of sustainable barrier films and initiated discussions with external partners to identify options for a controlled trial.</p>
6.	<p>Investigate options for fully recyclable packaging for chip bags</p> <ul style="list-style-type: none"> • Research documented and reported annually. 	<p>As for bio-structures, our R&D team continues to monitor developments in this field. No feasible fully recyclable materials were identified in 2016 with the necessary performance characteristics to meet quality and consumer and customer expectations. As noted above, a compostable structure has been substantiated for further trials.</p>
7.	<p>Leverage existing corporate reporting systems to quantify and improve monitoring of packaging sustainability initiatives</p> <ul style="list-style-type: none"> • Power Steering reports used to track progress for packaging improvement initiatives by April 2017 	<p>We use Powersteering as our core in-house productivity measurement tool and quality of packaging project data has improved year on year. A new project naming convention was introduced to improve analysis of projects across the business, to increase packaging waste transparency, support replication of improvement projects and ensure that plants benefit quickly from initiatives identified throughout the global business.</p> <p>Packaging material efficiency is compared across manufacturing sites on a monthly basis to highlight best-in-class performance and identify opportunities for improvement. Sites annually set targets for packaging efficiency, with regular scorecarding and monitoring of performance to drive improvement.</p>

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

We have successfully established processes to ensure that packaging reviews are completed for all new formats, and we continue to build identified opportunities into design and procurement processes for new and existing packaging. We have reported several examples of initiatives that have improved our packaging sustainability outcomes, tracked through formal Productivity programmes as an integral element of our continual improvement focus.

Our Lean / Kaizen program provides an important opportunity to improve performance, and in 2016 we implemented 27 packaging related projects targeting waste reduction and efficiency across our Australian manufacturing facilities. The program is sustained through a dedicated team to coordinate activities, with formal workshops and training to improve capability and identify business-wide opportunities. We extend LSS / Kaizen training to all business functions to build wider organisational capability and in 2016 trained a further 14 Kaizen leaders, plus 4 Green Belts and 2 Black Belts.

Our global Powersteering database provides a robust platform for innovation, giving us the opportunity to formally monitor progress, share information and improve performance. New naming conventions have enhanced our ability to track packaging sustainability initiatives.

Customer and consumer requirements are key considerations in the design of our packaging, and the ratio of packaging material to product can be impacted by factors such as:

- Changing consumer preference for portion controlled multi-packs
- Design to meet customer specifications for on-shelf configurations

Within these considerations, we continue to innovate to reduce source material where possible, and to improve efficiencies in manufacturing to optimise sustainability outcomes.

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 waste and recovery systems at manufacturing facilities to work towards a goal of zero waste to landfill.</p> <ul style="list-style-type: none"> • Zero waste to landfill for manufacturing sites by 2025 • New waste contracts in place by December 2016 	<p>In 2016, the global PepsiCo business announced a goal to achieve zero waste to landfill across all of our direct operations by 2025.</p> <p>All Smith's and Sakata manufacturing locations have extensive on site waste collection and recovery systems, together with formal LSS waste reduction programs, to minimise waste to landfill. In manufacturing we recover used packaging for re-use or recycling, including cardboard and rewind cores, returnable pallets (Chep/ Loscam), plastic pallets, reusable potato crates, timber, empty 1000L IBCs and 20L containers, Bulk Bags, seasoning bags, film, shrink wrap and strapping. We also maintain strong waste reduction and recycling systems for non-packaging waste, including food waste, starch, scrap metal, fluorescent lights, oils and compostable wastewater treatment organics.</p> <p>In addition to manufacturing and warehouse recycling, the business maintains recycling systems in all administrative locations for recycling of paper, cardboard, comingle waste, printer cartridges and e-waste. Meal areas and meeting rooms provide clearly labelled opportunities to recycle.</p> <p>Throughout 2016 we completed an extensive waste tender process, including working with NSW OEH Sustainability Advantage to review and optimise waste contracts, with final signing in early 2017. We worked with the selected contractor to provide additional plastic and cardboard packaging recycling opportunities.</p> <p>In 2016, some of our Smith's and Sakata manufacturing facilities were impacted by the loss of a key non-packaging recycling avenue and our priority in 2017 is to work with our new waste contractors to identify feasible alternatives. This meant that, while 2 of our facilities improved to 94% recycled in 2016, across the business overall we achieved a recycling rate of 86% compared with 92% in 2015.</p> <p>In 2016, improvement initiatives included:</p> <ul style="list-style-type: none"> • Increasing plastic recycling by separating coloured plastic from clear • Increasing the use of clear plastic bags for waste collection in manufacturing, to improve visibility of waste segregation practices <p>In consultation with a local recycling facility, developing a method to package and recycle used grain bags that were previously</p>

		considered unable to be recycled.
2.	<p>Maintain education to all staff regarding company recycling and waste disposal practices to maximise recycling rates</p> <ul style="list-style-type: none"> Waste training / educational pieces produced and distributed annually 	<p>All staff are trained in the availability of waste and recycling facilities and their appropriate use, via Induction and EHS Awareness programs, as well as specific waste stream management instruction for frontline teams. Clear labelling and signage is in place to support effective waste segregation and recycling.</p> <p>All manufacturing sites routinely monitor waste generation and waste recycling, and performance is regularly communicated to employees to maintain awareness, via avenues including daily production meetings, formal monthly scorecards, newsletters and site notice boards.</p> <p>Specific business-wide communication in 2016 focused on National Recycling Week, with internal communication to promote the event, as well as an external Profile by Planet Ark.</p>
3.	<p>Conduct waste compliance audits at all sites to review waste data quality and conformance with company standards for waste management</p> <ul style="list-style-type: none"> Year on year improvement in PepsiCo Global EHS Management System (GEHSMS) score. Complete annual GEHSMS audit at each manufacturing facility by December Annually benchmark results 	<p>Smith's and Sakata sites maintain formal annual waste audits to evaluate compliance with the requirements of ISO14001 and global PepsiCo waste standards, and to promote continual improvement in performance.</p> <p>By December 2016, all Smith's and Sakata manufacturing facilities completed globally benchmarked PepsiCo GEHSMS audits and achieved an overall 9% improvement vs 2015 scores. For Waste, our Smith's and Sakata facilities achieved a rating of World Class performance for 1 facility and an Accomplished rating for 2 facilities.</p>
4.	<p>Maintain reporting system to monitor weight and percentages of segregated and recycled packaging material from all manufacturing sites</p> <ul style="list-style-type: none"> Waste and recycling statistics reported annually 	<p>All Smith's and Sakata manufacturing sites have well developed reporting systems to monitor percentages of segregated and recycled packaging material, in accordance 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 global corporate group, and communicated via a monthly EHS scorecard to the Australian business.</p> <p>Per kg of production, Smith's and Sakata manufacturing sites improved recovery of packaging materials for recycling by 4% in 2016.</p> <p>Major packaging materials recovered include:</p> <ul style="list-style-type: none"> - cardboard and paper (579t recovered in 2016); - plastics (87t recovered in 2016) - Comingle (5t recovered in 2016) <p>The types of packaging re-used and recycled in manufacturing include cardboard and rewind cores, returnable timber pallets, plastic pallets, reusable potato crates, empty 1000L IBCs and 20L containers, Bulk Bags, seasoning bags, film, shrink wrap and strapping, as well as toner cartridges, paper and comingle in administrative areas.</p>

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

While the business improved recovery and recycling of packaging materials per unit of production by 4% in 2016, our overall recycling rate was impacted by the loss of a non-packaging recycling avenue at 2 of our facilities. We finalised national contracts with a new waste provider and are working with them to identify feasible alternatives, as well as engaging with Sustainability Advantage to pursue potential avenues through the collaborative network.

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 maintains a corporate Sustainable Packaging Policy applicable to our Snackfood operations globally, available on our corporate website:

<http://www.pepsico.com/docs/album/policies-doc/pepsico-sustainable-packaging-policy.pdf?sfvrsn=0>

The Policy includes our aspiration to increase the use of recycled content or materials from renewable sources and to promote the use of materials that can be recycled or recovered. It has been formally incorporated into our Packaging Procurement processes and tender development documentation, and is included in our contracts with packaging suppliers, as evidenced by the 4 Smith's and Sakata supplier contracts renewed in 2016.

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.	<p>Review opportunities to buy recycled.</p> <ul style="list-style-type: none"> • Evaluate the potential and set targets • Opportunities to buy recycled packaging reported annually 	<p>We monitor total packaging tonnage by category, annually report recycled content and evaluate opportunities to buy recycled packaging. Quantified information on specific packaging types and the opportunity to increase recycled content is detailed in our action plan responses below (20.2 and 20.3).</p> <p>To summarise,</p> <ul style="list-style-type: none"> • We already maximise recycled content for our major packaging category, corrugate, at 98.2% recycled. Corrugate packaging is 71% of our total packaging tonnage. • Our principal opportunity to buy recycled is established by our carton board, currently virgin board totalling 10% of our packaging material tonnage. • We are not currently able to incorporate post-consumer recycled content into our flexible film packaging (16% of packaging tonnage) due to quality, performance and food safety requirements.

2.	<p>Document and report recycled content purchases, reviewing these purchases to identify opportunities to increase year on year.</p> <ul style="list-style-type: none"> Report the items purchased and the percentage of recycled content, and any future opportunities to increase recycled content percentages 	<p>We monitor and annually review expenditure, total weight of product purchased and recycled content for our packaging materials.</p> <p>In 2016 we achieved 70% recycled content across our core packaging categories, slightly reduced from our 2015 result of 72%, noting that this was impacted by changes in the relative proportions of different packaging materials purchased. We did not remove any recycled-content packaging.</p> <p>In 2016, wood fibre based products comprised 81% of our packaging material tonnage. The majority of this was corrugate with 98.2% recycled content. Carton board comprised 10% of our total packaging tonnage and contained no recycled material, presenting our main opportunity to increase packaging recycled content. We originally transitioned to a virgin-fibre board due to the closure of a local recycled paper mill in 2013. To reduce environmental impact, the board weight was reduced to minimise source fibre material and we confirmed that the source mill was FSC certified.</p> <p>Flexible film comprises 16% of packaging material tonnage. It is not feasible to incorporate post-consumer recycled material into our flexible films due to quality, performance and food safety requirements. However, we collaborated with our supplier to re-use polymer off-cuts in the base polymer blend within their own manufacturing process. This enabled polymer re-use and recycling while maintaining film quality and integrity, delivering a saving of 34.5t polymer in 2016.</p>
3.	<p>Investigate alternative sources of multi-pack fibreboard to increase recycled content of our packaging materials.</p> <ul style="list-style-type: none"> Increase recycled content of fibreboard, subject to maintaining necessary functional characteristics to meet our production and commercial needs Identify options by December 2016 Assess feasibility of manufacturing trial by December 2017 	<p>In 2016, we identified a potential alternative carton board with increased recycled content, with further evaluation required in 2017 to assess feasibility of a manufacturing trial.</p> <p>Further work is also required to fully assess the comparative life cycle impacts of the recycled-content product vs our current product (minimised board weight to meet functional requirements with reduced source material).</p>

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

The key opportunity to increase the recycled content of our packaging materials is to source a carton board with recycled content. We are working with our supplier on suitable alternatives, noting that the current virgin-fibre based board has been optimised to minimise source material while meeting the necessary functional characteristics for our manufacturing process. We will need to assess lifecycle impacts and performance in manufacturing to ensure that there are no unintended impacts in other areas, while pursuing recycled content.

We recognise the opportunity to introduce recycled content across a broader range of procured items, beyond packaging, in our manufacturing and office facilities, and are still working to quantify the opportunity. Our APC Action Plan includes a formal target for 2017.

Increasing post-consumer recycled content in our flexible packaging is constrained by food safety and quality requirements. However, we continue to work with our supplier to improve sustainability outcomes and in 2016 we saved 34.5t of polymer through a film manufacturing recycling initiative.

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)

We formalise requirements within packaging procurement scope and contracts, to work collaboratively with our selected suppliers to optimise APC outcomes using the SPG. In 2016 we formally incorporated packaging sustainability considerations into 100% of contracts renewed with packaging suppliers, including expectations to:

- Comply with our global Packaging Sustainability, Forestry Stewardship and Land Use Policies.
- Work collaboratively with PepsiCo to implement packaging sustainability improvements, with specific reference to the Sustainable Packaging Guidelines and the Australian Packaging Covenant.

Other processes to collaborate with our key packaging suppliers include:

- Quarterly Business Review meetings to discuss packaging requirements and continual improvement opportunities
- Regular Value Engineering meetings, the principal mechanism for technical collaboration between our R&D teams to improve design of packaging, considering sustainability outcomes within project discussions.

Our Waste Tender and Contract documents address collaboration to improve recycling and reduce / eliminate waste, formally including requirements to work 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.	<p>Assess opportunities for take-back schemes for used packaging and update supply contracts to include these requirements</p> <ul style="list-style-type: none"> • Supplier packaging take-back opportunities identified, implemented and monitored 	<p>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 packaging such as returnable potato crates, pallets and IBC containers. Return of smaller chemical containers for re-use is constrained by existing contractual conditions and will be re-assessed at the time of re-tender. Procurement is aware of sustainability requirements and consults with the EHS team to incorporate suitable provisions when each procurement category is reviewed.</p> <p>While we have robust reporting systems in place for our waste and recycling streams, packaging for re-use is not yet accurately quantified. We have established processes to ensure that packaging materials are re-used where possible, considering the Waste Hierarchy. We recognise the opportunity to formally record this data and will work on systems in 2017 to capture the information.</p>

2.	<p>Continue to work with suppliers to implement sustainable supply chain schemes. Implement formal global Supplier Code of Conduct Process to communicate expectations and ensure accountability to its principles.</p> <ul style="list-style-type: none"> Supplier Code of Conduct established in contracts with 100% Packaging Suppliers 	<p>PepsiCo's Supplier Code of Conduct (SCoC) supports the goal of long-term sustainable supply by addressing known business, environmental and social risks and building supplier capability. The SCoC establishes our expectations in areas of labour practices, Health & Safety, environmental management and business integrity.</p> <p>Refer to http://www.pepsico.com/docs/album/responsible-sourcing/ENGLISH_SCOC_2013.pdf?sfvrsn=2</p> <p>The SCoC has been formally established in contracts with 100% of our local packaging suppliers in 2016 to ensure they remain accountable to its principles. To support engagement and understanding of the SCoC, on-line supplier training is provided:</p> <p>http://www.pepsico.com/Assets/Supplier_Code_of_Conduct_v1.3/story.html</p>
3.	<p>Negotiate and include packaging sustainability criteria as contracts are renewed with packaging suppliers</p> <ul style="list-style-type: none"> Packaging sustainability criteria incorporated into 100% of packaging tenders and contracts with packaging suppliers on renewal Ongoing commitment with contracts updated as they are renewed. Annual reporting of inclusion of criteria. 	<p>Packaging sustainability criteria were incorporated into 100% of packaging supply agreements renewed in 2016 (4 contracts renewed for Smith's and Sakata packaging). Key criteria specified in the contracts included requirements to:</p> <ul style="list-style-type: none"> Comply with the PepsiCo Supplier Code of Conduct Work collaboratively with PepsiCo to implement packaging sustainability in accordance with Sustainable Packaging Guidelines developed by the APC Adhere to the PepsiCo Packaging Sustainability Policy Adhere to the PepsiCo Forestry Stewardship and Land Use policies and meet PepsiCo expectations for responsible sourcing of wood fibre products, with relevant credible certifications.
4.	<p>Collaborate with global PepsiCo team to incorporate international sustainability initiatives into local practices.</p> <ul style="list-style-type: none"> Continuing dialogue with international offices to incorporate better sustainability practices for packaging and products into local business. Records retained and outcomes reported annually. 	<p>PepsiCo has implemented a global operating model which supports sharing of best practices across the business and records of communication are maintained.</p> <ul style="list-style-type: none"> In 2016 Global and Sector representatives directly supported Kaizen Workshops to improve manufacturing efficiencies, and shared global initiatives through the Powersteering platform The global R&D team shared strategic goals and information on new packaging materials and processes Procurement operates as a global function and routinely shares information relating to responsible sourcing goals and procurement processes (tender and contracting) to support these goals. In 2016 the ANZ ReCon and Sustainability Manager attended a Regional ReCon Workshop to build capability and network with Sustainability team members from across the Region, to support rollout of the global ReCon program.

5.	<p>Maintain regular scheduled meetings with packaging suppliers to identify and support implementation of continuous improvement projects</p> <ul style="list-style-type: none"> • Minimum quarterly meetings with suppliers scheduled and minuted. Improvement projects documented for implementation • Ongoing assistance provided with implementation of plans, with actions reported annually 	<p>In 2016 we maintained minimum quarterly meetings with our packaging suppliers, including formal Business Review meetings and Value Engineering Meetings with Procurement and R&D teams. The purpose of these meetings is to work collaboratively to identify opportunities to improve packaging sustainability, efficiency and value.</p> <p>In addition, we held a meeting with a key packaging supplier in November 2016 to specifically explore opportunities to collaborate more broadly across our value chain (beyond packaging supply). This included discussion of corporate sustainability goals to improve packaging lifecycle considerations and understanding of end-of-life options. .</p>
6.	<p>Review waste management contracts to ensure resource recovery is promoted and measured by contractors</p> <ul style="list-style-type: none"> • All waste contracts incorporate requirements for continual improvement in resource recovery and accurate reporting of waste data • Waste tender evaluation and contractor selection by December 2016 	<p>Throughout 2016 we partnered with NSW OEH Sustainability Advantage to optimise our national waste tender, review and contracting processes, with specialist support to improve sustainability outcomes.</p> <p>Following engagement with each of our manufacturing sites to understand operational requirements, and an extensive review process, we finalised selection of a national provider and contract execution in early 2017.</p> <p>The waste contracts formalise requirements for collaboration and support to achieve continual improvement in resource recovery and accurate reporting of data, including:</p> <ul style="list-style-type: none"> • Target for annual reduction in waste to landfill and recommendations for new recycling initiatives (including new technology as this becomes available) • Formal KPIs and meetings to discuss and review progress • Specified minimum waste audits per year to identify issues and improvement opportunities • Delivery of formal waste and recycling training across all production shifts • 100% compliance to PepsiCo standards and regulatory requirements • Accurate and detailed reporting of all waste and recycling streams to support regular monitoring and improvement • Full understanding of end of life destinations to optimise lifecycle considerations

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

In 2016 we attended available APC forums to network with peers and share perspectives to improve performance. These provide valuable opportunities to improve alignment with APC goals and understand how other signatories improve packaging sustainability.

We are continuing to identify opportunities to improve collaboration across our supply chain, leveraging global capabilities across PepsiCo, as well as engaging with external partners. Our Packaging Development and Procurement teams routinely collaborate with packaging suppliers to monitor design improvement opportunities and optimise efficiencies and sustainability performance. In 2016 we met with a key packaging supplier to extend our mutual understanding of lifecycle opportunities and constraints and wider corporate sustainability goals. We strive to continuously improve our sustainability performance aligned with global PepsiCo goals and have developed global platforms to collaborate and share ideas across the business, including our Powersteering tool to minimise waste and improve packaging efficiencies. In 2016 we continued our relationship with NSW OEH Sustainability Advantage, with support to optimise waste and recycling systems to improve end of life outcomes. Sustainability Advantage provides further opportunity to build and participate in collaborative networks to address environmental concerns. We are also working with our waste providers to identify and implement opportunities to improve recycling and resource recovery.

As we consider the full supply chain, our key opportunity is to proactively engage with our customers to work collaboratively on packaging sustainability. We have established targets in our APC Action Plan for training and communication to Marketing and Sales teams in 2017 to increase awareness of APC goals and opportunities.

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>Maintain ISO 14001 certification and environmental management system across all applicable sites.</p> <ul style="list-style-type: none"> System and certification maintained and reported annually. 	<p>All Smith's and Sakata sites maintained certification to ISO14001 and OHSAS18001 in 2016.</p> <p>This is managed through the global PepsiCo multi-certification program, which also includes third party certification to the PepsiCo Global EHS Management System (GEHSMS). GEHSMS is aligned with ISO14001 and OHSAS18001 and is designed to ensure that all facilities meet Environmental, Health and Safety performance requirements consistent with our global policy, located at</p> <p>http://www.pepsico.com/docs/album/policies-doc/pwp/ehs-policy-2015.pdf?sfvrsn=0</p> <p>and applicable regulatory and company goals, expectations and standards. In addition to external certification, all facilities annually complete scored GEHSMS audits to benchmark performance against global best practice.</p> <p>In 2016, our Smith's and Sakata facilities achieved a 9% increase in GEHSMS score from 2015, continuing to improve year on year. Our EHS Management System 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.</p>

2.	<p>Continue programs to improve environmental sustainability of our packaged products by reducing water usage per unit production at our manufacturing facilities</p> <ul style="list-style-type: none"> • 25% improvement in water use efficiency at our manufacturing facilities by 2025 • Ongoing implementation reported annually 	<p>Globally, a key area of sustainability focus across our product lifecycle is water conservation. In 2016, PepsiCo announced a goal to improve water use efficiency by 25% at our manufacturing facilities by 2025. This builds on our earlier goal to improve water use efficiency by 20% by 2015 relative to 2006 (Smith's and Sakata achieved a 38% improvement by 2015).</p> <p>In 2016 our Smith's and Sakata facilities delivered an additional water efficiency improvement of 7% relative to 2015. We completed extensive water mapping activities in 2016 and developed action plans to meet the corporate water reduction goals.</p> <p>To enhance achievement of PepsiCo sustainability goals, our Australia & New Zealand business created a dedicated National ReCon and Sustainability Manager role in 2016, to support our site ReCon (Resource Conservation) teams. The global best practice PepsiCo ReCon program summarises the work of technical experts to build skills in water using systems and shares world-class resource conservation projects across the business.</p>
3.	<p>Identify initiatives to improve efficiencies and minimise waste across all packaging machines</p> <ul style="list-style-type: none"> • Aim to increase packaging efficiency year on year • Ongoing implementation reported annually 	<p>We routinely measure, report and monitor efficiency of use of packaging by line across all Smith's and Sakata facilities, to drive continual improvement. In 2016, carton efficiency remained constant vs 2015 and film improved efficiency by 0.7%.</p> <p>In 2016 we implemented 27 projects targeting packaging improvements through our structured Lean / Kaizen programs. A key example reported under KPI1 was the installation of an automated system for carton quality inspection prior to palletising to prevent incorrectly formed cartons from entering the palletising area. These cartons can then be re-worked to avoid waste generation.</p> <p>The program is sustained through a dedicated team to coordinate activities, with formal workshops and training to improve capability, global benchmarking and best practice sharing. Initiatives are identified, documented and tracked in our shared Powersteering platform to transfer initiatives across the global business.</p>
4.	<p>Implement printing controls policy for the business to reduce office paper waste.</p> <ul style="list-style-type: none"> • 20% Reduction in printing by December 2016 	<p>In 2015 we rolled out a sustainable printing initiative across our Australian business to optimise printer management and reduce printing waste. This included:</p> <ul style="list-style-type: none"> • Installing efficient multi-function devices to replace individual low use devices and legacy equipment • Introducing secure printing to eliminate abandoned printouts. The system requires entry of a PIN at the machine to confirm printing and there is timed automatic deletion • All printers and computers have been set to print double sided and black and white as default <p>We monitor colour and black and white printing volumes by facility. Throughout 2016 printing trended downwards for both colour and black and white. By the second half of the year, we reduced printing by 20% for black and white and 17% for colour relative to baseline monthly average.</p>

5.	<p>Support Planet Ark office waste clean out in November</p> <ul style="list-style-type: none"> Annually participate in Planet Ark office clean out to raise awareness of recycling 	<p>We held a Planet Ark 'Friday Fling' event in November to raise awareness of recycling and encouraged employees to remove all obsolete documentation for recycling. This coincided with a planned office move in December at our Chatswood office, resulting in a doubling of paper recycling in November and December relative to the monthly average.</p> <p>We supported this with wider corporate communications for Planet Ark National Recycling Week. Planet Ark featured profiles of Smith's and Sakata recycling (together with 3 other APC signatories) on the National Recycling Week website and in a print booklet.</p>
6.	<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>We recognise that flexible packaging is our principal opportunity, with limited pre- and post-consumer recycling avenues. We first investigated Product Stewardship models available locally to encourage recycling of post-consumer packaging in 2013, considering an existing PepsiCo partnership overseas. This was not yet a feasible solution for the Australian business for flexible film recovery and recycling.</p> <p>In 2016 PepsiCo announced new global 2025 Sustainability goals, including a Planet goal to strive to design 100% of our packaging to be recoverable or recyclable, and to partner to increase recovery and recycling rates. As part of our packaging sustainability strategy we have allocated resources to identify suitable technologies for recyclable and compostable films, and films from renewable sources. In 2016 we initiated discussions with Sustainability Advantage to support suitable industry partnerships for controlled trials to test post-consumer recovery and recycling of qualified films.</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

We take a holistic approach to address sustainability, considering our full product lifecycle as well as packaging impacts. In 2016, PepsiCo announced global 2025 goals to renew our commitment to Performance With Purpose. Our Planet Goals extend across our value chain, considering water, carbon emissions, waste, sustainable sourcing and recoverable or recyclable packaging:

<http://www.pepsico.com/purpose/performance-with-purpose/our-goals>

Within our direct operational control, Smith's and Sakata facilities have sustained year on year improvement to reduce the environmental footprint of our manufactured products, with a 7% improvement in water efficiency in 2016 relative to 2015 and a 5% reduction in energy used per kg of production. Our key packaging initiatives in 2016 continued to deliver benefits in source material reduction, as well as supply and distribution benefits via optimised configurations.

In addition to managing the operations we directly control, we recognise our responsibility and our ability to influence our suppliers to improve sustainability outcomes. We have previously reported work completed with CSIRO on Life Cycle Assessment, and the impact of agricultural inputs on our overall product footprint. In 2016 we continued to work collaboratively with our growers through the PepsiCo Sustainable Farming Initiative on sustainability outcomes in areas such as irrigation, fertilisation and waste minimisation. We also maintained RSPO certification covering 100% of our palm oil purchases to support our responsible sourcing goals, in line with PepsiCo's global commitments since 2015 to use only 100% certified sustainable palm oil.

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

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.	<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"> • Annually report results of review. • 100% of products with correct disposal or recycling guidance by December 2016 	<p>We acknowledge the role of the consumers of our products to achieve responsible management of packaging materials as it becomes waste, and our ability, potentially, to influence these behaviors.</p> <p>Our artwork approval process incorporates standardised Tidyman or recycling logos and messaging, as appropriate, for our packaging. In 2016 we updated product packaging to ensure that 100% of new and existing packaging displays the correct disposal guidance and consumer information.</p> <p>Disposal information is clearly identified on-pack for primary and secondary consumer packaging to 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.	<p>Identify initiatives to reduce levels of litter reported against our brands in Keep Australia Beautiful surveys.</p> <ul style="list-style-type: none"> • Understand brand propensity to become litter and communicate to business leaders annually • Aim to see reduction in levels of litter reported against our brands in subsequent KAB reports 	<p>In 2016, Keep Australia Beautiful branded litter data was communicated to the Executive Leadership Team in a meeting to discuss packaging sustainability progress and goals, including APC commitments.</p> <p>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 and packets in 2011-12 (reduced from 1.16% and 6.8% respectively in 2007-08). Sakata products did not register in the 2011-12 survey.</p> <p>Our category most at risk is primary flexible packaging, as the snackfoods may be consumed away from home.</p>
3.	<p>Identify and clean up litter on our sites</p> <ul style="list-style-type: none"> • Formalise litter monitoring system at all sites by end 2016 and report progress to limit litter generation annually. • Litter management audits in place at all manufacturing facilities by December 2016 • Annual review of actions to limit litter generation 	<p>In 2016, Smith's and Sakata manufacturing sites monitored and documented site litter principally through routine Quality inspections of external areas, together with Environmental inspections at some facilities, rather than specific litter audits. There are established processes for site teams to routinely collect and remove any litter from site, however litter counts were not recorded in 2016 so we are unable to quantify improvement.</p> <p>One of our sites identified an issue due to their product give-away process - pallets of unattended product in the open attracted birds and caused litter issues. This was addressed by the Production team taking ownership of the give-away process, to only release stock during shift changes and then return it to enclosed areas at all other times.</p>

4.	<p>Support a local litter reduction program.</p> <ul style="list-style-type: none"> • Raise awareness through internal promotion. • Annual financial support provided to the selected program. 	<p>Smith's and Sakata continue to annually support Clean Up Australia through the PepsiCo Helping Hands workplace giving programme. The business provides support through company-provided volunteer hours.</p> <p>In 2016 Clean Up Australia was promoted via PepsiCo Newsletters, employee Induction and training materials and site Helping Hands and Engagement Committees.</p> <p>In addition, Clean Up Australia was promoted to PepsiCo associates throughout the Asia-Pacific Region, as a finalist in the employee Performance With Purpose video competition.</p>
5.	<p>Participate annually in Clean Up Days with a goal to increase participation year on year through internal promotion.</p> <ul style="list-style-type: none"> • Promote Clean Up days annually. • Document and annually report participation trends and number of bags filled. 	<p>In 2016, we held 5 Clean Up events in our communities, engaging with local councils to determine the best locations for litter removal, complemented with bush regeneration activities under the guidance of local BushCare and LandCare groups.</p> <p>49 PepsiCo team members participated in Clean Up days in NSW, QLD, SA, Vic and WA, using company-provided volunteer hours to remove 71 bags of rubbish and to complete weeding and planting activities to improve our local bushland. Total participation in 2016 reduced from 2015, with 1 less event, noting that the business experienced significant change in 2016, including facility closure.</p> <p>The events were promoted internally via PepsiCo Newsletters, employee Induction and training materials and site Helping Hands and Engagement Committees.</p>

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

Our primary flexible film packaging has the highest propensity for littering out of our packaging categories. We continue to annually monitor published litter studies, noting that the most recent published Keep Australia Beautiful National Branded Litter Study was in 2011-12.

We underwent business changes in 2016 that impacted the number of Clean Up events and we will continue in 2017 to organise and promote activities to engage our employees in litter reduction at work and in the community.

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 2016 we continued to embed APC commitments throughout business processes, to improve the sustainability of our packaged products across their lifecycle. Achievements have been quantified throughout the report and include:

- Strengthening our APC Team with increased collaboration and engagement from different business functions and senior leadership.
- Continued improvement in packaging design to reduce source material and optimise configurations, with SPG reviews completed as an integral element of product development processes
- Embedding responsible sourcing requirements into packaging supply and maintaining palm oil RSPO certification
- Sustained year on year improvement in water and energy efficiency in manufacturing
- Well established Lean / Kaizen Program with continued investment in training, workshops and best practice sharing to build organisational capability, reduce waste and increase efficiency. 27 packaging projects in 2016.
- 5 Clean Up events to engage with our local communities
- Formal collaboration with our suppliers and partners such as Sustainability Advantage to improve sustainability outcomes.

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