

**The Smith's Snackfood Company Pty Ltd and Sakata Rice Snacks Australia Pty Ltd  
2017 Annual Report for the Australian Packaging Covenant Organisation**

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

The global PepsiCo Sustainability Report, including packaging goals, is available at:  
[http://www.pepsico.com/docs/album/sustainability-reporting/pep\\_csr16\\_091317.pdf](http://www.pepsico.com/docs/album/sustainability-reporting/pep_csr16_091317.pdf)

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

	Target	Actual
<b>1. Review new products against the SPG or equivalent</b>		
1.1	Continue to review all new Smith’s and Sakata packaging against the Sustainable Packaging Guidelines. <ul style="list-style-type: none"> <li>• 100% of new packaging reviewed against SPG each year</li> </ul>	In 2016 and 2017 the Smith's and Sakata Packaging Development team reviewed 100% of new packaging against SPG requirements.
<b>2. Review existing products against the SPG or equivalent</b>		
2.1	Update reviews of existing packaging against Sustainable Packaging Guidelines <ul style="list-style-type: none"> <li>• 1 major category review updated each year (total 4) from 2017</li> </ul>	In 2017 we reviewed our packaging portfolio across all categories, scoped in 2017 for progressive implementation from 2018. This approach provides opportunities to optimise whole packaging systems, with reduced bag sizes linked to optimised carton dimensions, pallet case count and transport efficiencies.
<b>3. Reduce (optimise) the quantity of material used in packaging</b>		
3.1	<b>Design:</b> Continue to implement design improvement strategies identified during reviews of existing products. Document and report actual or attempted changes to packaging, where possible including quantifiable data. <ul style="list-style-type: none"> <li>• Opportunities for existing products documented and prioritised for implementation annually.</li> <li>• Changes documented and reported annually</li> </ul>	Over the past 24 months we continued to implement design improvement strategies identified during reviews. 2016 achievements included: <ul style="list-style-type: none"> <li>• Qualifying new laminate structures to deliver a polymer saving of 9.4t.</li> <li>• Optimising our Sunbites Popcorn packaging to save 4.4t of film and 4.1t of corrugated board annually.</li> <li>• Saving 34.5t of polymer by collaborating with our film supplier to re-use polymer off-cuts in the base polymer blend in their manufacturing process, maintaining film quality and integrity.</li> <li>• Developing 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.</li> <li>• Collaborating with a customer to optimise product packaging, reducing flexible film use and cube by 11%.</li> </ul> In 2017, we achieved further reductions of: <ul style="list-style-type: none"> <li>• 7.4t of flexible film by optimising one of our bag ranges</li> <li>• 19.2t of polymer by optimising our flexible film structure.</li> </ul>

	Target	Actual
3.2	<p><b>Efficiency / waste reduction:</b> Identify initiatives to improve efficiencies and minimise waste across all packaging machines</p> <ul style="list-style-type: none"> <li>• Aim to increase packaging efficiency year on year</li> </ul>	<p>All Smith's and Sakata facilities routinely monitor efficiency of packaging use and maintain formal Lean / Kaizen programs to systematically reduce waste, averaging about 25-30 projects annually. From 2016 to 2017, efficiency of film usage improved 1.3% and carton usage by 0.3%, translating to significant material savings.</p> <ul style="list-style-type: none"> <li>• One example in 2017 was saving 4.8t of stretch wrap by introducing a wrap with increased yields, better puncture resistance and improved load containment properties.</li> <li>• We also changed a multipack process to remove intermediate storage cartons, eliminating about 7,300 replacement cartons each year.</li> </ul>
<b>4.Improve recoverability of packaging (e.g. reuse, recycling, recoverability)</b>		
4.1	<p>By 2025, strive to design 100% of our packaging to be recyclable, compostable or biodegradable.</p> <ul style="list-style-type: none"> <li>• Investigate options for fully recyclable snacks packaging. Research documented and reported annually</li> </ul>	<p>PepsiCo is collaborating with biotechnology firm Danimer Scientific to develop and commercialise biodegradable film resins, produced using renewable biomass, for next-generation snacks packaging. The material has potential to be biodegradable across a wide range of conditions, e.g. home and industrial compostable, anaerobic digestion, soil and marine degradable - offering more management options as infrastructures are developed. We are working towards a controlled trial in Australia. In 2017 we also investigated local options to recycle chip bags, working with NSW OEH Sustainability Advantage to map options and potential barriers (e.g. infrastructure and processing limitations). We also commenced a project initiated by Adaptation Environmental Support to trial recycling of our flexible film in a pilot plant with enhanced processing capability.</p>
<b>5. Use sustainable (e.g. renewable and recyclable) materials in packaging</b>		
5.1	<p><b>Recycled content:</b> Document and report recycled content purchases, reviewing these purchases to identify opportunities to increase year on year.</p> <ul style="list-style-type: none"> <li>• Annually report the items purchased and the percentage of recycled content, improvements and any future opportunities to increase recycled content percentages</li> <li>• Increase recycled content of multi-pack fibreboard. Assess feasibility of manufacturing trial by December 2017</li> </ul>	<p>In 2017 we achieved 71.5% recycled content across our core packaging categories, increased from 69.9% in 2016.</p> <ul style="list-style-type: none"> <li>• 70% of our packaging material tonnage was corrugate board, already optimised with &gt;99% recycled content.</li> <li>• 13% of our packaging tonnage was carton board and we successfully increased recycled content in 2017. Our carton board previously contained no recycled material, noting that the weight was minimised and fibres were sustainably sourced. In 2017 we introduced a new board with 99.6% postconsumer recycled content for our 5 pack and Sunbites ranges. We will continue to review suitable alternative board grades for our 10 and 20 pack multipacks in 2018.</li> <li>• 15% of our packaging tonnage was flexible film with no postconsumer recycled content due to quality and performance requirements. In 2016 we collaborated with our supplier to re-use polymer off-cuts in the base polymer blend within their manufacturing process, saving 34.5t polymer.</li> </ul>
5.2	<p><b>Renewable content:</b> Monitor PepsiCo global research into renewable bio-structures as alternatives to current chip packaging for local implementation.</p> <ul style="list-style-type: none"> <li>• Identify and trial new structure by December 2018</li> </ul>	<p>As described in 4.1, PepsiCo is collaborating with Danimer Scientific to develop and commercialise biodegradable film resins produced using renewable biomass. We have identified a promising structure and are working towards a controlled trial in Australia.</p>
<b>6. Include onpack labelling for disposal or recovery</b>		
6.1	<p>Ensure correct consumer disposal and recycling information is provided on packaging, with annual review to pursue continual improvement.</p> <ul style="list-style-type: none"> <li>• 100% of products with correct disposal or recycling guidance by December 2016</li> </ul>	<p>The Smith's and Sakata artwork approval process incorporates Tidyman or Mobius recycling logos as appropriate. 100% of packaging provides disposal guidance on-pack, with a toll-free number for enquiries in relation to our products or packaging. Smith's and Sakata plans to assess the Australasian Recycling Label supported by APCO for our next action plan.</p>

	Target	Actual
<b>7. Reduce onsite waste sent to landfill</b>		
7.1	<p>Improve waste and recovery systems at manufacturing facilities:</p> <ul style="list-style-type: none"> <li>• Achieve zero waste to landfill across direct operations by 2025</li> <li>• Waste and recycling statistics reported annually</li> <li>• Install and maintain on-site recycling facilities in all staff areas including kitchens and office areas</li> <li>• Waste training / educational pieces produced and distributed annually</li> <li>• ReCon Waste deployed across Australian manufacturing sites in 2017</li> <li>• All waste contracts incorporate requirements for continual improvement in resource recovery and accurate reporting of waste data</li> </ul>	<p>All Smith's and Sakata manufacturing locations maintain extensive on site waste collection and recovery systems, with formal LSS waste reduction programs and ongoing training to minimise waste to landfill. In 2017, our manufacturing facilities improved to 92% recycled versus 86% in 2016. At the same time, we achieved a 9% reduction in total waste per unit of production. Major packaging materials recycled were:</p> <ul style="list-style-type: none"> <li>• cardboard and paper (585t recovered in 2017);</li> <li>• plastics (60t recovered in 2017)</li> <li>• Comingle (3t recovered in 2017)</li> </ul> <p>The types of packaging re-used and recycled in manufacturing included returnable Chep/Loscam pallets, reusable potato crates, empty 1000L IBCs and small containers, Bulk Bags, cardboard and rewind cores, timber, seasoning bags, shrink wrap and strapping. Non-packaging recycling included food waste, starch, scrap metal, fluorescent lights, oils and compostable organics, and we also maintained office recycling for paper, cardboard, comingle, printer cartridges and e-waste. Our waste contracts were reviewed in 2017 and formalised requirements to achieve continual improvement in resource recovery and accurate data reporting. We launched the PepsiCo ReCon Waste program in early 2018, bringing together teams from all of our facilities for waste training and Deep Dives.</p>
<b>8. Improve packaging sustainability through procurement processes</b>		
8.1	<p>Continue to work with suppliers to implement sustainable supply chain schemes.</p> <ul style="list-style-type: none"> <li>• Supplier Code of Conduct established in contracts with 100% Packaging Suppliers</li> <li>• Packaging sustainability criteria incorporated into 100% of packaging tenders and contracts with packaging suppliers on renewal</li> <li>• Minimum quarterly meetings with packaging suppliers scheduled and minuted. Improvement projects documented for implementation</li> </ul>	<p>Over the past 24 months, Smith's and Sakata incorporated PepsiCo's Supplier Code of Conduct into 100% of packaging contracts. 100% of renewed packaging supply agreements included sustainability requirements, such as collaboration to implement the SPG and relevant policies like the PepsiCo Packaging Sustainability Policy.</p> <p>We maintained regular meetings with our key packaging suppliers (quarterly for corrugates and monthly for flexible films). These meetings were an important mechanism for technical collaboration between our R&amp;D teams to improve packaging sustainability, efficiency and value.</p> <p>We also met with a key packaging supplier in November 2016 to specifically explore opportunities to collaborate more broadly across our value chain (beyond packaging supply).</p>
<b>9. Engage in closed loop collaboration(s) with stakeholders</b>		
9.1	<p>Assess Product Stewardship models available locally to encourage return of used consumer packaging for recycling.</p> <ul style="list-style-type: none"> <li>• Local options identified and progress reported annually</li> </ul>	<p>PepsiCo recently signed an agreement to join the New Plastics Economy, led by the Ellen Macarthur Foundation, as a core partner and focussed on building a more sustainable global plastics value chain through collaboration. In Australia we started a project to assess the technical feasibility of recycling current laminated flexible films at scale, including potential pilot processing technology and working with Sustainability Advantage to identify suitable collection pathways.</p>
<b>10. Reduce (optimise) business-to-business packaging</b>		
10.1	<p>Continue to implement improvement strategies. Document and report actual or attempted changes to packaging, where possible including quantifiable data.</p> <ul style="list-style-type: none"> <li>• Opportunities for existing products documented and prioritised for implementation annually.</li> <li>• Changes documented and reported annually</li> </ul>	<p>Our B2B packaging components are shelf-ready corrugate cases designed to meet customer specifications, stretch wrap and returnable Chep or Loscam pallets. In 2017, we reviewed stretch wrap to optimise efficiency, delivering an estimated saving of 4.8t film/year, with improved functional properties. We have previously optimised our corrugate structure. In 2017 we reviewed our packaging system, identifying further opportunities to optimise B2B packaging, associated pallet cube and transport efficiencies, for progressive implementation from 2018.</p>