



Good Food, Good Life

**Nestlé Australia Limited**

**Australian Packaging  
Covenant  
Action Plan 2011-2015**



March 2011

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## CEO Foreword

Nestlé has a long history of commitment to the environment and environmental sustainability is a critical component of what we call Creating Shared Value (CSV) - a basic principle of business strategy for our company.

For our business to be sustainable over the long term, we believe we must create long-standing value for our shareholders and contribute to a prosperous, healthy and sustainable society.

With this in mind we've set out to maximise and enhance shareholder value by also creating value for our employees, farmers, the environment, consumers and the communities in which we operate.

Since first signing what was then known as the National Packaging Covenant in 2000, we have been embedding packaging stewardship across our business.

Our most recent and notable achievement has been the development of key performance indicators for packaging, setting specific, measurable targets to reduce the environmental impact of our product packaging and embedding new processes into our business to ensure we deliver to our targets.

We have also strengthened our sustainability governance and reporting with the establishment of our external Creating Shared Value Advisory Board and the continuation of our Creating Shared Value Report, the third of which will be released in early 2010.

The Packaging Impact Evaluation Tool (PIQET) continues to play a fundamental role within our business; one that is heavily supported through a strong internal communication infrastructure and knowledge sharing, both across the region and globally. It remains a valuable tool to enable identification of opportunities for environmental impact improvement and to support Nestlé's compliance with the Sustainable Packaging Guidelines (SPG) and the Australian Packaging Covenant (APC).

As we focus our efforts on our new APC 2011 – 2015 Action Plan, we are confident we will continue to reduce the environmental impacts of consumer packaging through ongoing design, recycling and product stewardship initiatives, whilst not compromising on safety, quality and consumer acceptance.



Graham Campbell  
CEO Nestlé Oceania

## Nestlé the Company

### Overview

Headquartered in Vevey, Switzerland, Nestlé was founded in 1866 by Henri Nestlé and is today the world's leading nutrition, health and wellness company. We employ around 280,000 people and have factories or operations in almost every country in the world.

Nestlé Australia forms part of a wider regional Oceania business, which also incorporates New Zealand and the Pacific Islands, including Papua New Guinea, New Caledonia and Fiji.

Across Oceania, we employ nearly 5,300 people at a number of sites including factories, distribution centres and business and sales offices. Our regional head office is at Rhodes in Sydney and our Australian manufacturing stretches from Gympie in Queensland, through New South Wales and down to Victoria.

### *Nestlé Australia at a Glance – 2010*

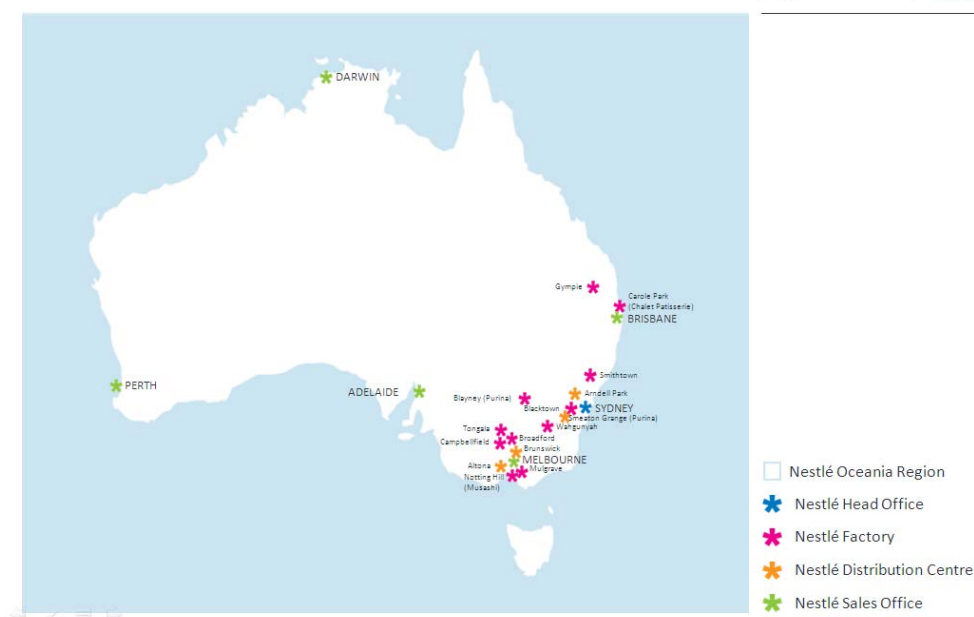
- Australia sales (AUD billion) - \$2,657
- Total number of Full Time Equivalent (FTE) employees in Australia – 4,216
- Number of factories in Australia – 11
- Approximate no. of product lines – SKU's in Australia– 3,620

NESTLÉ IN OCEANIA

06

### Where Are We? – Australia

NESTLÉ  
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2011



## Our products and business structure

### Some of our key brands



In Australia our key brands include: Nescafé, International Roast, Nesquik, Milo, Maggi, Nestlé Carnation, Country Cup, Kit Kat, Aero, Smarties, Wonka, Soothers, Allens, Uncle Tobys, Nestlé Peters Ice Creams and Sunshine.

There are other Nestlé operations in the region which form part of the worldwide Nestlé Group but which are managed under separate global business units. The Nestlé in the Market businesses include:

- **Cereal Partners Worldwide:** Cheerios, MILO cereal, Nesquik cereal and Uncle Tobys Cereals
- **Nestlé Professional:** Nescafé, Maggi, Andronicus, Buitoni, Patisserie d'Artiste
- **Nestlé Purina PetCare:** PVD (Purina Veterinary Diets), Pro Plan Dog, Friskies, Purina One, Beneful, Fancy Feasts
- **Infant Nutrition:** NAN, Lactogen (Infant Formula)
- **Performance Nutrition:** PowerBar, SLM, Musashi
- **Healthcare Nutrition:** Sustagen, Optifast
- **Nespresso:** Nespresso systems
- **Nestlé Waters:** San Pellegrino, Perrier, Vittel

In Australia we are governed by a Board of directors which is chaired by a non-executive chairman. Among other things, the Board has oversight of strategy, company accounts and compliance with various company reporting and statutory requirements.

Our sales in 2010 equated to AUD 2.65 billion in the Australian market and a breakdown of our Australian sales in 2010, by business unit, is shown below.

Ambient Dairy	3.5%
Soluble coffee	19.4%
Powdered beverages	5.6%
Culinary	4.3%
Frozen	0.8%
Ice cream	13.1%
Chilled dairy	0.0%
Confectionery and snacks	28.1%
Other categories (RTD, R&G, Nespresso)	3.0%
Infant formula	1.7%
Healthcare nutrition	2.2%
Performance nutrition	1.8%
Petcare	11.9%
Breakfast Cereals	4.6%

At Nestlé, we believe it is very important to focus on making local products to meet local needs, providing greater value to the communities in which we operate, to our customers and to consumers. In 2010 we produced 288,408 tonnes of product in Australia; 72% of all sales in Australia in 2010 were of Australian made products.

Our customers are a vital part of our business and we work closely with them to improve the way we design, package, deliver and merchandise our products. Our brands and products are the focus of continual innovation and renovation and our aim is that they not only measure up to the company's vision, but also exceed our customers' and the consumer's expectations.

### **Creating Shared Value at Nestlé**

For our business to be sustainable over the longer term, we believe our actions must be good for business and good for society. Our approach, known as Creating Shared Value (CSV), keeps us focused on the areas which create long-standing value for our shareholders and contribute, uniquely, to a prosperous, healthy and sustainable society.

This includes creating shared value for our consumers and customers, our employees, the farmers who are our suppliers, our environment and the communities in which we operate.

Environmental sustainability forms a critical component of our CSV approach. We believe our operations should be environmentally sustainable and efficient. This means reducing our direct impact on the environment, minimising the impacts of our packaging, and identifying and managing climate change impacts and water risks across our business.

Our inaugural Nestlé Oceania CSV report was published in 2008 and each year our CSV report shares how we are embedding the concept of Creating Shared Value into our regional business. This Oceania report provides our stakeholders with a localised overview of our performance, our achievements and some of the challenges facing our business, in the areas of:

- Products and consumers
- Our people
- Our community
- Our environmental footprint
- Sourcing, agriculture and our supply chain

The report includes detailed performance data and commentary on our packaging initiatives and can be found on our website: [www.Nestle.com.au](http://www.Nestle.com.au)

### **Our priorities**

Globally, our CSV efforts come together around three priority areas. Not only are these material issues facing our business, they are issues we genuinely believe, as a food and beverage company, we can positively address.

- Water: because the ongoing quality and availability of it is critical to life, the production of food and to our operations
- Rural development: because the overall wellbeing of farmers, rural communities, workers, small entrepreneurs and suppliers is intrinsic to our ability to continue to do business in the future
- Nutrition: because food and nutrition are the basis of good health and of our business

## Nestlé and Packaging

### Packaging strategy

Packaging is essential for both Nestlé and for our consumers. It ensures the safety and quality of products, from manufacture through to storage, distribution to consumption. In addition, packaging contributes to product appeal, provides convenience, communicates information e.g. on nutrition and serving instructions, and may include safety and tamper-evidence features. Packaging can also help prevent or reduce product waste.

### Types of packaging materials used

Nestlé's diverse product range means that our packaging and the materials we use are also diverse. We use materials that help to ensure our products are delivered to our customers and consumers in the same way they left the factory. These material types are detailed below.

Packaging Type	Description	Typical Use
Carton Board	Folding cartons	Cartons for food, ice cream, snacks, cereals, pet food, beverages and confectionery.
Coated Paper	Wax coated paper	Confectionery wrappers
Composite Can	Containers with paper walls and metallic ends	Coffee substitute beverages
Corrugated Cases	Cases made of corrugated board	Transport containers for distribution purposes
Flexible Laminates	Monofilms and composite flexible materials printed and laminated to form bags and wrappers.	Bags and wrappers for confectionery, food, snacks, ice cream, beverages, cereal & pet food.
Glass	Clear glass containers	Sauce bottles and coffee jars
Metal	Steel containers & Aluminium	Steel cans for milk products, coffee and Milo. Foil for confectionery.
Paper	Paper labels & cups	Labels for cans, bottles and cartons. Paper cups and sleeves for ice cream and beverages.
Rigid Plastics Containers	Polyethylene Terephthalate (PET), Polypropylene, high density polyethylene, PVC	Tubs and caps for beverages, ice cream and powdered food. Trays for snacking.
Wood	Wooden sticks	Ice cream sticks

### Sustainable packaging and product stewardship

Nestlé is focused on reducing the environmental impact of our packaging, whilst not compromising on fundamentals of safety, quality and consumer acceptance.

We became a signatory to the National Packaging Covenant in September, 2000 and are committed to the key Covenant principles of product stewardship. These commitments are consistent with those

which are evident in Nestlé's worldwide and Oceania environment policies and in Nestlé's demonstrated efforts over the past decade to reduce packaging waste worldwide.

We integrate product stewardship into our business and report our performance and initiatives against the ten product stewardship areas each year through our National Packaging Covenant Annual Report and also through our Creating Shared Value report.

Our efforts are guided by the Nestlé Oceania Environmental Policy (available on our website: [www.nestle.com.au](http://www.nestle.com.au)) which commits us to "constantly strive to identify new ways to reduce packaging, to minimise waste, to prevent pollution, to save energy and to conserve natural resources" and "to address these concerns early in the design stage for new products and processes".

Building on the environmental policy is our Packaging Policy, also available on our website, which brings together specific environmental considerations relating to packaging and applies to all of our products. The Packaging Policy reflects the goals of the strengthened NPC and the Sustainable Packaging Guidelines (SPG).

To operationalise the principles of product stewardship and shared responsibility, our overarching packaging strategy comes together around three key components:

1. Working with our employees to develop the right procedures, the right behaviours and the right skills
2. Working with our consumers to encourage greater recycling and waste minimisation
3. Working with our partners to ensure our suppliers are choosing the right materials

### ***Governance and oversight***

Our executive-led Sustainability Council is the foundation of our sustainability governance structure. The Council includes representatives from Operations, Marketing, Corporate and External Relations and Human Resources. Supported by a Sustainability Secretariat, the Council oversees improvements in our environmental performance – including packaging; and provides oversight of operational issues and risks.

The very premise of 'Creating Shared Value' requires an intimate understanding of stakeholder and societal issues, identifying the areas of intersection between our business and society and focusing on those issues which affect our long term business prospects and the health and prosperity of our society.

As such, engaging our stakeholders – particularly around our CSV agenda – has been a major focus of Nestlé Oceania since 2009. Drawing on the widely used stakeholder engagement standard AA1000SES, we've put in place a Creating Shared Value Stakeholder Engagement Framework. We

have set out to more fully understand the key stakeholder groups right across our value chain, which affect our business and/or are affected by us and our business activities.

The new framework consisting of both formal and informal mechanisms, assists Nestlé Oceania to build stakeholder insight and issues into company decision making and strategy, develop our regional CSV strategy and key priorities - including those around packaging - and strengthen our relationships and trust and ultimately build broader community support.

At the heart of this framework is an externally-led CSV Advisory Board. The Board met for the first time in December 2009 and is joined by the Nestlé Oceania CEO and chaired by our Chairman; bringing together our key stakeholders, including those with expertise and knowledge of corporate responsibility and sustainability strategy, nutrition, water and agricultural development along with other regional social and environmental issues.

As and when appropriate the CSV Advisory Board are valuable advisors to Nestlé Australia in continuing to improve the sustainability of its packaging and in turn meet its obligations under the APC Action Plan for 2011 – 2015.

### ***Packaging design***

Packaging design remains a key focus of ours. We believe we can have the greatest impact in our overall packaging performance by fully incorporating environmental considerations, alongside 'Ease of Use' (EOU) considerations, at the design phase. In establishing new or revised packaging formats, we use our procedures, which are aligned the Sustainable Packaging Guidelines, (SPG) and the Packaging Impact Quick Evaluation Tool (PIQET), which forms a critical component in driving improvements in packaging design also ensuring compliance with SPG.

PIQET has been integrated into our processes and systems. Using the PIQET outputs and mapping the key drivers, we have been able to develop targets and 'Hero Project' KPIs to help drive measurable improvements in the full environmental performance of our packaging – from 'cradle to grave'.

To support sustainable design we have dedicated internal resources to understand and improve the environmental performance of our packaging

### **Working with our suppliers – safety & compliance of food packaging**

Food packaging, and the potential migration of chemicals from packaging into food, has emerged as a major issue for all companies in the food and packaging supply chain. Food Standards Australia New Zealand (FSANZ) is keeping a close eye on the potential public health and safety risks of food contact packaging materials. FSANZ is also considering whether any further regulatory action is required in this area.

Since 2009 Nestlé Oceania has already begun implementing a comprehensive Safety and Compliance Program with its suppliers which is designed to provide assurance that its food contact

packaging is safe from the chemicals from which it is manufactured. To ensure that all primary and auxiliary materials meet Nestlé requirements, and in line with internationally led directives, Nestlé Oceania has adopted the standards set out in the European Legislation as best practice. This legislation is based around the Framework Regulation 1935/2004/EC. Adopting these standards involves obtaining Certificates of Compliance from all our packaging suppliers, and ensuring they are sufficiently detailed to provide evidence that any migration from the packaging is at specified 'safe' levels. This includes ensuring that all known components in our packaging are clearly identifiable and, if necessary, monitored to ensure they never reach levels which could potentially cause harm to our consumers either immediately or in the future.

### ***Working with our employees***

Working with our employees is a key component of our sustainable packaging strategy. This is consistent with our broader environmental sustainability strategy where our employees lead the identification and implementation of resource efficiency projects.

We start by establishing the right foundation, in terms of procedures and policies, to enable our employees to factor environmental considerations into their everyday activities.

Employee initiatives and leadership is celebrated and recognised through our awards platforms: the annual 'Gold Pack Packaging Awards' (which celebrates packaging innovation across our business) and the Nestlé Excellence Awards (which also recognises environmental sustainability initiatives at a factory level).

We will also be facilitating innovation by embedding sustainable packaging into our new major innovation initiative known as New Product Development Introduction (NPDI) to ensure environmental considerations are integrated into the innovation and product development process.

Finally, our entire workforce is kept informed of our packaging initiatives, policies and procedures through an extensive internal communications program.

## Action Plan

### Goal 1: Design

Optimise packaging to achieve resource efficiency and reduce environmental impact without compromising product quality and safety. If the organisation is in the supply chain, there must be specific actions about how it intends to use the Sustainable Packaging Guidelines (SPG) for design and procurement or (schedule 2)

KPIs	Actions	Responsibility	Baseline data	Target or performance goal	Timeline or Milestones (MM/YY)
1. Integration of the SPG in design or procurement of packaging	1.1 Implement processes that drive sustainable packaging design, consistent with the sustainable packaging guidelines (SPG)	APC champion	PIQET assessments mandated for all new & modified packaging in 2007	Develop and implement Sustainable Packaging review process to maximise opportunities in <b>concept</b> phase of new product development	Dec 2011
		APC Champion	Creating Shared Value brand & communications standard released in 2009.	Review and sign off by CEO	Q1, 2011 and every 2 years thereafter Dec 2011
		Packaging Specialist	Local environmental packaging policy has been in place since 2006	Complete Wave 1 of Nestle Safety & Compliance program Complete Wave 2 of Nestle Safety & Compliance	Dec 2012

		APC Champion	program launched in 2009  Ease of Use (EOU) benchmarking scale developed in 2010	Compliance program  Incorporate EOU into Sustainable Packaging review process to maximise opportunities in <b>concept</b> development phase of NPD	Dec 2012
	1.2 Review of current packaging against SPG	APC Champion	Reviewed 49 packaging formats through the use of PIQET in 2009/2010 financial year	Establish benchmark / baseline data for review  Review packaging for products that cover 80% of Nestlé Australia sales volume	Q2 2011  Dec 2014
	1.3 Implementation of Packaging Hero Project KPIs to deliver significant improvements in sustainability impacts.	APC Champion	Packaging Hero Project KPIs approved in 2010	15% environmental packaging impact reduction of 2 “hero” projects p.a. (verified with PIQET/LCA)  Reduce environmental impact of 10 packaging projects p.a.  Arthritis certification / Ease of Use 6+benchmark score for 1 “hero” project p.a.	Annual  Annual  Annual
	1.4 Improved governance by	CSV Secretariat	Escalation process	Approval of APC progress reports by	Annual

	continuing to develop the role of the CSV Council and Secretariat to support sustainable packaging development in our business	APC champion	in place since 2010 for negative packaging impacts and sustainability claims	CSV Secretariat/Council and CEO  External audit of progress reports	Annual
	1.5 Review, update and implement the Packaging Development Procedure to incorporate the objectives of SPG	Corporate Packaging	ECoPP/SPG requirements included our Packaging Development Procedure since 2006. Latest revision is September 2010	Continue to review Packaging Development Procedure in line with the SPG and business key learnings	Annual
	1.6 Deliver internal training/engagement on environmental packaging achievements , policies, , tools and procedures to all relevant stakeholders	APC Champion	As at 2010, 25 existing Nestlé Oceania employees were trained in PIQET.  Arthritis simulation gloves purchased in 2009 to aid in internal engagement on the importance of Ease of Use in	Provide ongoing training and engagement for all relevant internal stakeholders (including Packaging Technologists, Marketers, Procurement and Supply chain employees). Quantify staff trained/engaged and types of training/engagement	Report progress annually

		Corporate Affairs	design considerations	Develop communication strategy and action plan to identify and incorporate initiatives to engage business in this area	Q3 2011
		APC Champion		Quantify staff trained/engaged and types of training/engagement	Annual
		APC Champion		APC action plan on Nestlé internet and intranet	Q3 2011
		APC Champion		APC progress report on Nestlé internet & intranet	Annual

## Goal 2: Recycling

The efficient collection and recycling of packaging

KPIs	Action	Responsibility	Baseline data	Target or performance goal	Timeline or Milestones (MM/YY)
3.On-site recovery systems for recycling used packaging	3.1 Reduce waste to landfill initiative for manufacturing sites	SHE Managers	All sites have recycling programs in place	2.5% reduction of waste to landfill for Oceania	Dec 2011
			Waste from site	Report on waste sent to recycling and	Annually

			collections sent to recycling in 2010 was 2,579 tonnes (37%). Remaining 63% was sent to landfill.	landfill and any key site initiatives	
4. Policy to buy products made from recycled packaging where possible	4.1 Continue to explore possibilities for implementation of a buy recycled policy where possible	Packaging Procurement Manager	Currently no formal buy recycled policy in place	Develop a buy recycled policy	Q3 2011
				Develop an action plan to address opportunities to buy recycled	Q4, 2011
	4.2 Implement a preference for recycled content products in tender process - <b>where it does not impact hygiene, safety and compliance to food industry standards</b>	Packaging Procurement Manager	Current tender process includes environmental and sustainability requirements. including requesting suppliers to provide details of actions/projects undertaken to increase recyclability of their packaging products	Ensure tender process highlights a preference for recycled content products where it does not impact hygiene, safety and compliance to Nestlé or food industry standards, or commercial sustainability.	Q4 2011

### Goal 3: Product stewardship

Demonstrate our commitment to product stewardship

KPIs	Action	Responsibility	Baseline data	Target or performance goal	Timeline or Milestones (MM/YY)
6.Establish formal processes to work with others to improve design and recycling of packaging	6.1 Investigation of supply contracts that include opportunity for take-back and recycling schemes for used packaging in supplier review process	Packaging Procurement Manager	Already have contracts in place for corrugated board to be picked up from all sites by local suppliers	Understand what additional contracts could include take back arrangements – results documented in meeting minutes	Q4 2011
	6.2 Continue to work with Arthritis Australia to evaluate ease of use (EOU) of packaging	APC champion	A benchmarking study has been completed with Arthritis Australia for 5 products in 2010 identifying EOU status  A benchmarking scale developed in partnership with Arthritis Australia in 2010	EOU Benchmarking study on 5 products to be completed	Dec 2011

	6.3 Work with a partner to do a local packaging Life Cycle Assessment (LCA)	APC Champion	No baseline with full LCAs, only screener (PIQET)	To be initiated as part of environmental “hero” project (see 1.3) Key learning’s documented & communicated to stakeholders	2012
	6.4 Work with partner for on pack environmental packaging claim development	APC champion	Nil - No previous experience locally with packaging claims	To be initiated as part of environmental “hero” project (see 1.3) Key learning’s documented & communicated to stakeholders	2012
	6.5 Continue development of PIQET in collaboration with Sustained Packaging Alliance (SPA)	Corporate Packaging	Nestlé has worked with SPA on the development of PIQET since 2004. PIQET was launched in Nestlé Oceania in 2008 and globally in 2010. Nestlé have been actively involved in a number of PIQET upgrades	Demonstrate work with SPA to further progress PIQET development	Annual
7.Demonstrate other product stewardship outcomes	7.1 Work with suppliers to improve design, manufacture, and distribution of packaging utilising SPG considerations	Packaging Procurement Manager	In 2010 five initiatives were implemented with suppliers resulting in a reduction of 290 tonnes of packaging	Target of minimum 3 packaging improvements identified with suppliers and effect of improvements made to environmental impacts of packaging quantified	Annual

			<p>Nestlé Supplier Code launched in 2009 incorporates environmental requirements</p> <p>Since 2010 new suppliers sign off environmental policies in the vendor approval process.</p> <p>Since 2009 Nestlé Oceania request for proposals process has incorporated a range of environmental sustainability criteria</p>	<p>Supplier Review Process to formally incorporate Environmental Packaging Policy &amp; Supplier code, and opportunities to improve sustainability of packaging</p>	<p>To commence from Q2, 2011</p>
	<p>7.2 Continue to engage the recovery and recycling industry with a view to understanding and improving the recovery and recyclability of certain packaging</p>	<p>APC Champion</p>	<p>4 recovery and recyclability assessments since 2007 covering 16 packaging formats</p>	<p>Outline engagements &amp; improvements in recyclability of Nestlé products resulting from industry engagement of packaging formats</p> <p>Develop and implement appropriate Australian “design for recycling” guidelines to assist in the concept</p>	<p>Annually</p> <p>2014</p>

				development phase of new packaging	
8.Reduction in the number of packaging items in the litter stream	8.1 Find opportunities to redesign packaging to reduce the incidence or impact in litter	Corporate Affairs	See below	Incorporate litter propensity into Sustainable Packaging review process to maximise opportunities in <b>concept</b> development phase of NPD	Dec 2012
	8.2 Continue to ensure disposal guidance is provided on all products and an identification number on all plastic rigid packaging	APC Champion	Local environmental labelling procedure launched in 2008  Audit in 2008 of environmental labelling found that 84% of products had appropriate labelling	Target of 100% of products with correct disposal guidance and an ID number for all plastic rigid packaging  Audit	Dec 2012  2012
	8.3 With the view that our employees are also consumers, continue efforts to grow employee awareness and encourage positive packaging disposal behaviours	Corporate Affairs	Current communication and representation through employee communication channels in 2010 – audit to be conducted to establish baseline	Develop & implement communication strategy and action plan to identify and incorporate initiatives to improve awareness and encourage positive behaviours around appropriate disposal of packaging	Annual

## Further information

Please visit Nestlé Australia's website for further information on our company and our packaging initiatives. The website also contains information on our Creating Shared Value (CSV) approach, our Oceania CSV Report and up to date packaging and environmental policies.

- Nestlé Australia – [www.nestle.com.au](http://www.nestle.com.au)
- Nestlé Australia & Packaging - [www.nestle.com.au/AboutUs/Pages/OurPackagingPolicy.aspx](http://www.nestle.com.au/AboutUs/Pages/OurPackagingPolicy.aspx)
- Nestlé Global – [www.nestle.com](http://www.nestle.com)

## Contact us

We welcome your feedback, ideas and any queries you may have on our action plan to reduce environmental impacts of consumer packaging.

Please find below Nestlé's Covenant contact officer:

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