



Nestlé Australia Limited

**National Packaging Covenant
Progress Report
2009-2010**



www.nestle.com.au

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CEO Welcome

I have great pleasure in submitting Nestlé Australia's 2010 National Packaging Covenant (NPC) Annual Report.

This Annual Report provides an overview of our performance and progress in the 2009-10 period, against targets and goals set out in Nestlé's NPC Action Plan 2008-2010.

Environmental sustainability is a critical component of Nestlé's Creating Shared Value (CSV) approach, a basic principle of business strategy for our company.

For our business to be sustainable over the long term, we believe that we must create value for our shareholders and value for society at the same time.

That's why we've set out to maximise and enhance shareholder value by also creating value for our employees, farmers, the environment, consumers and the communities where we operate.

In this ninth reporting year, we continue to demonstrate how we are embedding packaging stewardship across each and every part of our business.

Our most notable achievement has been the development of key performance targets for packaging. After overcoming initial challenges cited in previous reports, we have now set specific, measurable targets to reduce the environmental impact of our product packaging, and embedded new processes so it becomes business as usual.

Continuing from our progress in 2009, we have further strengthened our sustainability governance and reporting this year with the establishment of our external Creating Shared Value advisory board and the continuation of our Creating Shared Value Report released in early 2010.

PIQET continues to play a fundamental role within our business; one that is heavily supported through 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 Environmental code of Practice for Packaging' (ECoPP) and NPC.

As we move towards a new framework for NPC reporting, we look forward to providing further updates on our performance and we are confident our progress will continue to improve as it has done with the 2008-2010 Action Plan.



Graham Campbell
CEO Nestlé Oceania

Executive Summary

This 2010 National Packaging Covenant (NPC) Annual Report marks the ninth reporting year of continuous improvement for Nestlé Australia and its environmental performance in terms of packaging.

The report covers the second year (Year 2) of our performance against Nestlé's NPC Action Plan 2008-2010, and documents the company's progress against all four Covenant goals.

Key achievements and highlights from the past 12 months include:

- Establishment of packaging KPIS to drive improved packaging performance
- Establishment of an external Creating Shared Value advisory board to sharpen our focus on key sustainability issues relative to the food and beverage sector including packaging.
- Release of Nestlé Oceania Sustainability Report, providing our regional stakeholders with comprehensive overview of our social, economic and environmental – including packaging – performance.
- Extension of “Our Path to a Sustainability Strategy” to include internal key performance indicators to progress Nestlé Oceania's Environmental Sustainability Strategy.
- Further embedding PIQET into our regional and global business.
- Working extensively across our business, and with suppliers, to implement a range of sustainable packaging initiatives.
- Engaging widely with industry on a range of packaging issues, including recyclability, recovery and waste management.
- Achievement of 4 out of 5 stars for the 2009 Year 1 report from the NPC Council.

About this report

Scope of report and approach to boundary setting

This report covers Nestlé Australia's (“Nestlé”) operations for the financial year 2009-2010. In terms of establishing an appropriate ‘boundary’ methodology for this report, we have adopted the same approach to that of our Sustainability Reporting and other regulatory reporting requirements, including the National Greenhouse and Energy Reporting (NGER) Scheme. As such, all businesses, facilities and brands which we have ‘operational control’ over are included in the scope of this report. This includes major business units such as Beverages, Foods, Confectionery and Snacks, and Ice Cream as well as global businesses including our pet food business, Nestlé Purina, Nestlé Nutrition and our Uncle Tobys business.

In terms of our packaging consumption and statistics, this data relates to local Nestlé Australia packaging information only, which accounts for 75% of our products sold by weight on the Australian market. It covers limited imported packaging or local contract manufacture, due to an inability to accurately measure imported or contract manufactured product materials at this stage.

Verification

As with previous Nestlé Annual Reports, this report has been independently verified. Again, to improve consistency between our various sustainability reporting activities, we are using a similar verification methodology and approach. The verification function has also been brought under a single provider, SGS Australia Pty Ltd. Please see SGS Australia's verification statement on page 34 for further information.

About Nestlé

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 Oceania at a Glance – 2009

- Oceania sales (AUD billion) – 3.130
- Total number of Full Time Equivalent (FTE) employees – 5,295
- Number of factories – 15
- Approximate number of product lines – 2,523

In Oceania, our businesses and brands sit under a number of key divisions, including Beverages, Foods, Confectionery and Snacks, and Ice Cream. Other business units operating in the region, such as Nestlé Waters, Nestlé Nutrition, Purina Pet Food, Nespresso and Nestlé Professional are managed on a global basis out of Switzerland. Our operations in Oceania incorporate our Uncle Tobys business. The Uncle Tobys business includes nutritious snacks, and a breakfast cereal business operated by Cereal Partners Worldwide (CPW), Nestlé's joint venture with US-based General Mills.

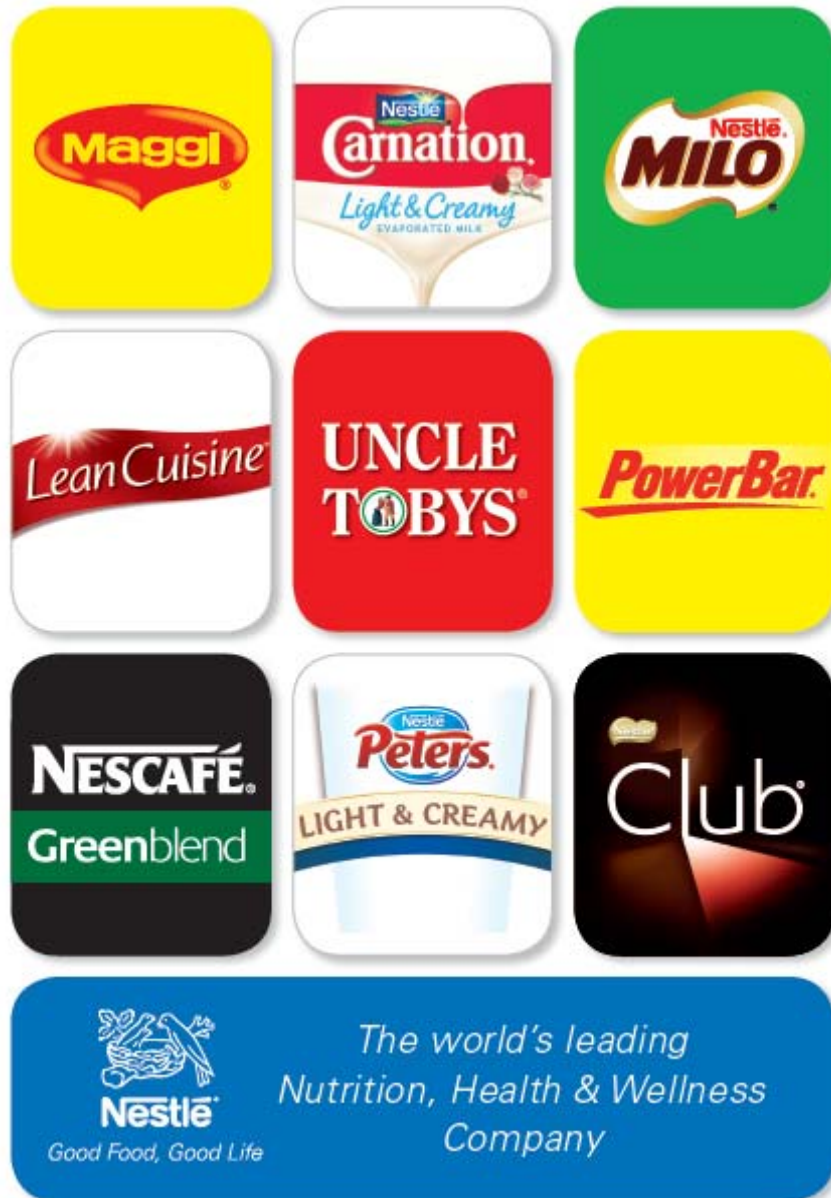
A breakdown of our Oceania sales in 2009, by business unit, is shown below.

AUD 3.130 billion sales in 2009

Milk	5.6%
Soluble Coffee	24.6%
Powdered Beverages	7.2%
Culinary	10.3%
Frozen Food	3.9%
Ice Cream	14.9%
Confectionery & Snacks	31.9%
Other Products	1.6%

Our key brands

Some of our key brands are set out below.



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. This approach, known as Creating Shared Value, 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.

This fundamental business strategy is known across our business as Creating Shared Value.

Environmental sustainability forms a critical component of our Creating Shared Value 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 Priorities

Globally, our Creating Shared Value efforts come together around three priority areas. Not only are these key challenges 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 Oceania Creating Shared Value Reporting: Taking packaging reporting to a broader audience

Nestlé Oceania released its second Creating Shared Value, or sustainability report, in April 2010. This report builds upon our first Creating Shared Value Report produced in 2009. This Oceania report provides our regional stakeholders with a localised overview of our performance, our achievements and some of the challenges facing our business, in the areas of:

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

The Oceania Creating Shared Value Report also includes detailed performance data and commentary on our packaging initiatives. The report can be found on our website:

www.nestle.com.au

Nestlé's 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 and consumption. It 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 – is also diverse. We use a range of materials to ensure that our products are delivered to our customers and consumers in the same way they left the factory. Those 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 & 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. Aluminium trays for frozen food, 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 & caps for beverages, ice cream & powdered food. Trays for food & 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 the fundamentals of safety, quality and consumer acceptance.

We became a signatory to the National Packaging Covenant on September 28th 2000 and are committed to the key Covenant principles of product stewardship and shared responsibility. 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 sustainability report.

Our efforts are guided by the Nestlé Oceania Environmental Policy (available on our website: <http://www.nestle.com.au/AboutUs/SHE/OurFootprint/Pages/EcoReduction.aspx>) 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 (available on our website: <http://www.nestle.com.au/AboutUs/Pages/OurPackagingPolicy.aspx>) 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 Environmental Code of Practice for Packaging (ECoPP).

Operationalising 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. In late 2009, we strengthened this with the establishment of the external Creating Shared Value Advisory Board. Comprised of representatives outside the Nestlé business, the board brings together leading environmental, packaging and consumer experts to advise the business on social and environmental issues relevant to our industry.

Our cross functional Sustainability Council and Secretariat of Nestlé employees, continue to drive the development of our regional sustainability strategy, improvements in our environmental, and, more specifically, packaging, performance, and provide oversight of operational issues and risks.

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 in the design phase. In establishing new or revised packaging materials, we use the 'Environmental code of Practice for Packaging' (ECoPP). PIQET (Packaging Impact Quick Evaluation Tool) forms a critical component in driving improvements in packaging design also ensuring compliance with ECoPP.

PIQET is progressively being integrated into our processes and systems and, using the PIQET benchmarking capabilities, we've established packaging KPIs to drive measurable improvements in the full environmental performance of our packaging – from 'cradle to grave'.

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 platform: the annual 'Gold Pack Packaging Awards' (which celebrates packaging innovation across our business).

We are also facilitating innovation by embedding sustainable packaging into our major innovation initiative known as B3 ("Bigger opportunities, Better execution and Bolder initiatives"). This ensures 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.

Driving improved performance

Development of packaging targets has been a key challenge for us. The establishment of KPIs in March 2010 (formally approved in August 2010) is an important step in the business to ensure real change is achieved with continued improvements in our packaging performance.

The targets include reduction in environmental impact – based on PIQET reports – as well as ease of use scores. Ease of use refers to the accessibility of our products by consumers, for example, opening the lid of a NESCAFE jar or Peter's Entice Ice cream. In partnership with Arthritis Australia, Nestlé uses independent research conducted by one of the world's leading research universities to benchmark and score products. The ease of use target refers to the scores gained through this research.

Our challenges

Like many other businesses, Nestlé faces a number of packaging challenges across its business. Many of these challenges were cited in our last report, but we have included these below as they continue to exist as key barriers to potential packaging improvements.

1. Consumer demand for smaller pack sizes

One of our challenges stems from a growing trend toward smaller pack sizes and multi-packs. The drivers behind this trend include: smaller household sizes in Australia and New Zealand; a trend by retailers to reduce quantities in shippers; and the need to reduce product weights to ensure shelf prices are maintained. This in turn contributes to the use of more packaging per product.

2. Key performance indicators

The issue which we have been grappling with is what these targets should look like, what issues they should cover, and where, in the packaging chain, they should target.

We have now agreed internally what these targets will look like and they will be rolled out as a part of our 2011 action plan.

Key to overcoming this has been our escalation process for negative packaging impacts and our annual PIQET audits. Both of these explicitly aim to identify the key drivers which lead to negative/positive impacts. The results have been used to guide our efforts, and the establishment of targets, to ensure we are focusing on the material areas where we can make the greatest impact. Our findings show that the most common driver of negative PIQET outcomes is New Product Development, and as a result, this area is the major focus of our performance targets.

3. Accurate data capture

With a high reliance on suppliers for data on our packaging consumption, the issue of data capture, coverage and reporting, in regards to our packaging performance, remains another challenge for our business. Representing around 80% of our packaging spend, we continue to manually collect information through supplier spreadsheets in lieu of a viable automated tracking tool

4. Understanding impacts on accessibility

Understanding accessibility issues (i.e. the ease of which a consumer can access our products) as part of the new sustainable packaging guidelines, has already proved challenging due to the amount of research required. This is a challenge we have already begun focussing on.

The involvement this year of our Safety Health and Environment and sustainability auditor, SGS Australia, has benefited this process in regards to data quality and coverage. We will work with SGS going forward to make further improvements in our processes and systems.

Reporting Against Action Plan Commitments

COVENANT GOAL 1: PACKAGING OPTIMISED TO INTEGRATE CONSIDERATIONS ABOUT RESOURCE EFFICIENCY, MAXIMUM RESOURCE RE-UTILISATION, PRODUCT PROTECTION, SAFETY AND HYGIENE.			
OBJECTIVE	ACTION	NESTLÉ PERFORMANCE MEASURE	09/10 INITIATIVES
1 Ensure the <i>“Environmental Packaging Position”</i> for Nestlé Oceania and other relevant policies and procedures reflect the goals of the NPC and the Environmental Code of Practice for Packaging (ECoPP).	1.1 Continual review of the <i>“Environmental Packaging Position”</i> for Nestlé Oceania to ensure alignment with the goals of the NPC and ECoPP as well as the <i>“Nestlé Environmental Policy”</i>	<ul style="list-style-type: none"> ▪ Review Nestlé’s Environmental Policy annually. 	<ul style="list-style-type: none"> • Nestlé’s Environmental Policy was reviewed during the 2009/10 period as part of the Safety Health and Environment Management Review. It was recognised by the business that no changes were needed. • Further embedding the goals of the NPC and the ECoPP within Nestlé’s processes: <ul style="list-style-type: none"> ▪ Nestlé continued its sustainability reporting through the Creating Shared Value report (released globally in February 2010 and locally in May 2010). Packaging is a key component of the report with status updates on specific packaging targets. This report can be found online at www.nestle.com.au; ▪ The latest revision of Nestlé’s Corporate Business Principles, updated in June 2010, specifically outlines 10 operational commitments made by the business, including environmental sustainability – with packaging highlighted as one of four priority areas – with links to supporting policies and an overview of related company measures.

	<p>1.2 Develop, implement and review procedures, which define the processes and approvals required for all packaging decisions across various divisions.</p>	<ul style="list-style-type: none"> ▪ Review Nestlé's Packaging policy and procedures including: <ul style="list-style-type: none"> ▪ Nestlé's Packaging Policy. ▪ Nestlé's Packaging Roadmap for Success. ▪ Nestlé's New Product Development (NPD) procedures. 	<p>A number of developments were made regarding packaging procedures throughout 2009/10.</p> <p>Strategy</p> <ul style="list-style-type: none"> • As part of Nestlé's 2010 'Packaging Roadmap for Success', business objectives set in the 2009 roadmap were further developed to improve packaging across a number of areas. These include: developing packaging targets; delivering \$1million packaging savings; reducing consumer packaging complaints by 25%; employing a third packaging trainee. • A risk identification and analysis workshop was held on October 2009 with the Sustainability Secretariat to progress Nestlé's Sustainability Strategy. The Secretariat assessed business sustainability risks and agreed an action plan to reduce and minimise these risks in the future. • As part of Nestlé's partnership with the Forest Trust announced May 2010, Nestlé commenced work to study its supply chains around the world to determine targets for pulp and paper (with the aim of reducing the destruction of rainforests and peat lands by excluding suppliers linked to unsustainable practices). <p>Governance</p> <ul style="list-style-type: none"> • The external Creating Shared Value (CSV) advisory board was established in December 2009. The board, which includes packaging representatives, meets twice per year to advise Nestlé on emerging social, environmental, packaging and stakeholder issues relevant to the food and beverage sector – including packaging. Board members include: <ul style="list-style-type: none"> ▪ Claire Hewat, CEO, Dietitians Association of Australia ▪ Prof Ian Catterson, University of NSW ▪ Dr James Horne, Department of Environment, Water, Heritage and the Arts ▪ Paul Toni, WWF Australia ▪ Heather Campbell, Landcare Australia ▪ Dr Selwyn Heibron, Sustainable Agriculture initiative Australia ▪ Dr Simon Longstaff, St James Ethics Centre ▪ Ed Cordner, National Packaging Covenant ▪ Mia Freedman, Columnist, author, blogger and media consultant <p>Policy</p> <ul style="list-style-type: none"> • Nestlé's Packaging Policy was reviewed during the 09/10 period. As there were no changes to the NPC goals, nor any changes to the Environmental Policy, no modifications were required. A review of the Packaging Policy will be undertaken during the 2010/11 period to include the new Sustainable Packaging Guidelines requirements. <p>Procedures</p> <ul style="list-style-type: none"> • To ensure credibility and establish an agreed approach for communicating environmental claims through products and brands, the CSV communication standard was developed. This standard outlines the CSV framework and how to embed it into product strategies to grow consumer awareness and understanding of Nestlé's CSV efforts through consistent messaging. The standard also includes standards for environmental claims.
<p>2 Ensure that Nestlé's Package Development Procedure continues to incorporate the objectives of ECoPP.</p>	<p>2.1 Review, update and implement the New Package Development Procedure annually to incorporate the objectives of ECoPP.</p>	<ul style="list-style-type: none"> ▪ Review/update Packaging Development Procedure, annually. 	<ul style="list-style-type: none"> • Nestlé's packaging development procedures were updated and communicated in the 2009/10 period; however the document was not published until 1/9/10. These updates included: <ul style="list-style-type: none"> ▪ A new PIQET results calculator for PIQET 2.0, which provides users with additional information about the impacts of given scenarios, allowing easier translation of results to project teams ▪ A new packaging data collection sheet for users to collect and store all PIQET data easily • Nutribank – Nestlé's labelling information portal developed to ensure 'right first time' artwork – has now expanded to include disposal and recycling symbols and procedures.

	<p>2.2 Continued Implementation of Packaging Impact Quick Evaluation Tool (PIQET) and review of the original PIQET to aid development of new PIQET applications in collaboration with Sustained Packaging Alliance (SPA).</p>	<ul style="list-style-type: none"> ▪ Implementation and review of PIQET to help evolve future PIQET applications for enhanced product assessment and improved processing for new package developments. 	<p>As an ongoing Project Partner, Nestlé continues its support and funding of PIQET.</p> <p>A number of initiatives were undertaken throughout 2009/10 to further develop PIQET in both Australia and abroad:</p> <ul style="list-style-type: none"> • Continued work with Sustainable Packaging Alliance (SPA) to encourage use of PIQET including: Jacky Nordsvan, Nestlé Packaging Specialist, presenting to an Industry Forum on 6 May 2010 to demonstrate integration of PIQET within Nestlé; and participation in an RMIT research paper regarding the need for a streamlined LCA tool such as PIQET. • Conducted a PIQET audit of 51 projects (two of which were pack claims). Of the 49 packaging projects, 31 delivered negative results. In line with the key drivers identified during the previous audit results identified four key drivers of negative impacts: New Product Development; Supply Chain – supply or factory constraint; Retailer requirements; Promotional. These findings provided valuable information into key focus areas, which fed into the development of our key performance indicators. • The Sustainability Secretariat conducted an escalation review in September 2009, which reinforced the results of the PIQET audit by highlighting the four key drivers of negative impacts. More detail on the escalation review process is included in the section: “Covenant Goals in Action: Case Studies, Initiatives and Challenges” below. • Global roll out of updated PIQET 2.0 and continued engagement with Nestlé’s global head office (Switzerland) to improve understanding of PIQET, its benefits and encourage use across all parts of the organisation. • A range of internal communication activities were undertaken to raise awareness and improve understanding of the PIQET process amongst employees including: PIQET upgrades, new calculator tool, new packaging data collection sheets, Q&A support, reminders on escalation process and the ‘Who Cares Wins’ campaign, to raise awareness of PIQET and its role in NPD. • In December 2009, Nestlé undertook a competitor benchmarking analysis, including PIQET reviews, with key products across six divisions with results shared with Nestlé staff. • Inclusion of PIQET case studies in local CSV reports highlighting the benefits of PIQET and Nestlé’s PIQET audit. • Nestlé featured in <i>Packaging & Converting Intelligence</i> (global trade magazine) to promote the potential of PIQET, the role it played in forming Nestlé’s packaging strategy and the results already seen by the business.
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	<p>2.3 Deliver internal training on the environmental and packaging policies and procedures including, use of the Package Development Procedure for all Packaging Technologists, Brand Managers and Marketing staff.</p>	<ul style="list-style-type: none"> ▪ Ongoing training for current and new Packaging Technologists, Brand Managers and Marketing staff. ▪ Quantify staff trained and types of training annually. 	<p>A range of communication and training initiatives were undertaken throughout the year. This has included:</p> <ul style="list-style-type: none"> • SPA-facilitated PIQET 2.0 training for another 10 employees (including a new super user) from July 2009 and May 2010. The total number of employees trained on PIQET is now 25. • The Oceania Packaging conference involving Nestlé Packaging Technologists, as well as interdepartmental colleagues who regularly interact with the packaging team. The two day conference, supported by senior management included: <ul style="list-style-type: none"> ○ Update on consumer views and expectations regarding packaging ○ Update on Procedures ○ Presentation and activity to understand the real impact of ease of use on Nestlé consumers • Presentations at a number of internal meetings covering a broad employee base including: Nestlé Professional, CPW Management Committee, CPW employees, Nestlé Purina. • Ongoing communications regarding the Nestlé Environmental and Packaging Policies to all employees through email alerts, notice boards and presentations. • The launch of Nestlé's PIQET global intranet site including information on the tool itself, updates, distance calculators and resources for download. • The launch of <i>Packaging Environment Sustainability Network Newsletter</i> by Nestlé's global head office (Vevey, Switzerland) to encourage knowledge sharing and keep the global packaging community informed of latest issues. • The launch of eLearning course Environmental Sustainability for non-specialists to provide all employees with general knowledge of environmental issues such as water, energy, greenhouse gases, food waste, packaging and biodiversity; discover what Nestlé is doing to improve environmental sustainability; and tips on behaving more sustainably at work and home. • Relaunch of the B3 (Bigger Bolder Better) intranet site including process for considering packaging impacts. <p>See the section "Covenant Goal In Action: Case Studies, Communication and Training initiatives" below for more information on how we are recognising packaging innovation through our Packaging awards.</p>
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	<p>2.4 Continue to monitor packaging information to track and report annually each year on:</p> <ul style="list-style-type: none"> (i) Tonnes of packaging by material type by source (local or imported); (ii) Tonnes of packaged product sold; (iii) Ratio of product to packaging (by weight); (iv) Tonnage of “non-recyclable” packaging sold by material type and total; (v) Total “recyclable” packaging as a % of total packaging sold; (vi) Case studies showing quantified improvements in environmental packaging; and (vii) Examples of changes to protection, safety, hygiene, shelf life or supply chain to be identified and quantified. 	<ul style="list-style-type: none"> ▪ Packaging information to generate annual reports to July each year. 	<p>Our packaging statistics are set out in the section “Packaging Performance”.</p> <p>Nestlé monitors and reports its packaging performance each year, including through the NPC Annual Report process, our annual Packaging Performance report and also, more broadly, through our Oceania Creating Shared Value Report. The establishment of the Creating Shared Value Report takes our packaging performance and key initiatives to a much broader group of stakeholders, for example employees, government, green groups, suppliers, customers and, importantly, our consumers.</p> <p>See section 3.2 and also the section “Covenant Goal In Action: Case Studies, Initiatives And Challenges” for information on how we have achieved quantified improvements in environmental packaging.</p>
	<p>2.5 Develop performance targets in line with Covenant Key Performance Indicators.</p>	<ul style="list-style-type: none"> ▪ Performance targets to be established ▪ Review and report against performance annually each year. 	<p>Nestlé has made good progress by developing packaging targets in line with NPC KPIs. The following targets were put forward to the Sustainability Secretariat from March 2010. These targets refer to ‘hero’ projects, selected specifically to ensure packaging considerations are built into long term brand strategies for products before concepts are developed, thereby increasing the ability for optimal packaging solutions.</p> <p>Environmental:</p> <ul style="list-style-type: none"> • 15% reduction in environment impact (energy, water, waste, climate change) of 2 “hero” projects p.a. when compared to existing or competitor product • Reduce environmental impact (energy, water, waste, climate change) of 10 projects p.a. when compared to existing or competitor product <p>Ease of Use of Nestlé products:</p> <ul style="list-style-type: none"> • 6+ score for 1 “hero” project p.a. <p>Following this meeting, KPIs were submitted to the Sustainability Council and were subsequently approved in August 2010.</p> <p>Due to the timing of approvals, reporting against these KPIs has not commenced.</p> <p>As part of our commitment going into 2010/11, hero projects will be identified across the organisation. This commitment will be discussed in detail in the 2010/11 action plan.</p>

<p>3 Establish a structured process for engaging with Nestlé's packaging suppliers and customers regarding the National Packaging Covenant commitments</p>	<p>3.1 Write to supplier and customers, annually, to communicate the Nestlé Oceania "Environmental Packaging Policy and Strategy" and the requirements of Nestlé's two year Action Plan.</p>	<ul style="list-style-type: none"> ▪ Annually quantify percentage of suppliers and customers contacted. 	<p>Nestlé contacts its suppliers each year regarding its commitments to environmental packaging. This comprehensive process helps Nestlé work with its suppliers to minimise the impact of packaging on the environment.</p> <p>In July 2009, Nestlé wrote to its packaging suppliers to capture performance data on Nestlé's packaging. The data gathered represents around 99.7% of our packaging spend. In addition to capturing performance data on Nestlé's packaging, this approach also:</p> <ul style="list-style-type: none"> • Captures information on the initiatives that have been completed collaboratively with Nestlé Australia to reduce the environmental impact of packaging in our products • Reiterates our Packaging Policy • Sets out our current packaging strategy and key priorities • Highlights potential packaging improvement projects going forward • Keeps Nestlé up to date with new technologies and materials <p>During the 09/10 period we have not been able to integrate customers within this process. Specific measures to do this will be addressed in the 2010/11 action plan and subsequent annual reports.</p>
	<p>3.2 Work with suppliers and customers to:</p> <ul style="list-style-type: none"> ▪ Improve; design, manufacture, marketing and distribution of packaging utilising ECoPP. ▪ Identify and report on changes to protection, safety, hygiene, shelf life or supply chain considerations affecting amount and type of packaging. 	<ul style="list-style-type: none"> ▪ Outline the number of packaging improvements identified. ▪ Effect of improvements made to packaging on environmental impacts quantified. ▪ Number of examples of changes to protection, safety and hygiene, shelf life or supply chain considerations identified. ▪ Effect of changes quantified. 	<p>Nestlé continued to work extensively with its suppliers on sustainable packaging initiatives. Five specific initiatives were implemented with suppliers in 2009/10</p> <ul style="list-style-type: none"> • Change to a one-piece lid for NESCAFE at Nestlé's Gympie factory increasing the recyclability of the lid and saving 260 tonnes of plastic from land fill per year (see below case study 3.i in Covenant Goal In Action: Case Studies, Initiatives And Challenges for more detail) • Reduced thickness of steel ends across multiple beverages products resulting in a total annual reduction of 28.5 tonnes of steel (see below case study 3.iv in Covenant Goal In Action: Case Studies, Initiatives And Challenges for more detail) • Reduced paper usage across Allens BUTTER MENTHOL, SOOTHERS and ANTICOL saving 1.6 tonnes of material annually (see below case study 3.iii in Covenant Goal In Action: Case Studies, Initiatives And Challenges for more detail) • Reduction in board weight for cereals packaging delivering 7.4 tonnes of savings across 2 shell sizes (see below case study 3.v in Covenant Goal In Action: Case Studies, Initiatives And Challenges for more detail) • Change from a poly propylene to a metallised wrapper for Nestlé Pollywaffle to extend shelf life by approximately 30%. The change caused a minor negative environmental impact but was expected to significantly reduce the incidence of out of date stock, however the line was deleted in November 2009.

	<p>3.3 Utilise outcomes of supplier engagement as a basis for an annual environmental and Covenant performance assessment of existing suppliers and for all new suppliers under consideration.</p>	<ul style="list-style-type: none"> ▪ Number of assessments undertaken. ▪ Number of suppliers who meet performance requirements. 	<p>Nestlé continues to engage both existing and new suppliers to drive improvements in our sustainable packaging performance.</p> <p>Existing Suppliers</p> <p>Nestlé undertakes an annual performance review 132 of its major packaging suppliers to discuss how we can jointly address environmental issues associated with our packaging and continue to meet our NPC commitments. Our formal Supplier Review Program, which incorporates a review of environmental performance, covered 1/3 of our packaging spend in 2009/10. We also held formal business reviews with Suppliers representing 44% of packaging spend, which incorporated environmental considerations. In addition, we meet with suppliers on an ongoing, informal, basis to continually identify and discuss initiatives to improve our packaging performance.</p> <p>New suppliers</p> <p>As part of our Oceania Request for Proposal process, we formally assess all new packaging suppliers against a range of environmental sustainability factors. This forms part of our selection criteria and we look for suppliers to address a range of explicit environmental criteria, including:</p> <ul style="list-style-type: none"> • Environmental policies and management systems • Commitment to the National Packaging Covenant • Specific targets/objectives the company has in place to minimise packaging impacts • Actions/projects the company has taken/implemented to increase the recyclability of packaging products • Environmentally friendly packaging products offered by the company • Details of any environmental/sustainability opportunities identified for Nestlé with regards to packaging <p>Globally, the Nestlé Supplier Code was made mandatory from July 2009 and includes specific environmental and sustainability requirements for all Nestlé suppliers in accordance with local regulations.</p> <p>All packaging suppliers met Nestlé’s packaging requirements over the 2009/10 financial year.</p>
<p>4 Seek to engage the reprocessing industry with a view to overcoming barriers to the recyclability of certain packaging.</p>	<p>4.1 Seek to build a structured engagement process with the reprocessing industry to identify, discuss and overcome barriers to recyclability of certain packaging, particularly with regards to the introduction of new products and packaging types or combinations.</p>	<ul style="list-style-type: none"> ○ Outline improvements in recyclability of Nestlé’s products resulting from industry engagement. 	<ul style="list-style-type: none"> • In June 2010, Nestlé approached the Plastics and Chemicals Industries Association (PACIA) to investigate interest in developing guidelines to maximise the recovery of packaging materials. • Engagement with Visy Recycling to determine the recyclability of foil lined paper bags. Visy’s response helped Nestlé to select packaging materials targeted by kerbside recycling systems. • Engagement with the Australian Council of Recyclers (ACOR) to develop recycling tips for communication to employees. • Proposed partnership with Eco Products Agency to support an integrated supply chain solution that improves mixed plastics recycling in Australia. This is discussed in more detail in Section 6.1.

COVENANT GOAL IN ACTION: CASE STUDIES, INITIATIVES AND CHALLENGES

1. Establishment of Creating Shared Value Advisory Board

Nestlé's sustainability governance structure continues to evolve. In December 2009, the external Creating Shared Value advisory board was established to increase dialogue and cooperation in tackling the emerging social, packaging, environmental and stakeholder issues facing the food and beverage sector in our region.

Comprised of leading thinkers and experts in sustainability (including packaging), a key role of the board is to assist Nestlé Oceania in 'identifying content and stakeholder issues and priorities for inclusion in the CSV report'.

2. Embedding PIQET into our business

PIQET forms a critical component of Nestlé's compliance with the Environmental code of Practice for Packaging' (ECoPP). More broadly, PIQET is being used across the business to drive operational improvements in our packaging practices, in particular around New Product Development.

i. Sustainability Council Escalation Review

To ensure all negative packaging impacts identified through PIQET are reviewed and addressed, Nestlé implemented an Escalation Review. In 2009, the technical acceptance checklist – criteria required for all NPD approvals – was extended to include mandatory escalation reviews for all negative impacts identified. In addition, internal communications to the Nestlé packaging team throughout 2009/10 have highlighted the role and importance of escalation reviews. The escalation review process to date has highlighted the key drivers of negative impacts: New Product Development; Supply Chain – supply or factory constraint; Retailer requirements; Promotional.

3. Improving our packaging performance – case studies

We work extensively with our suppliers and our entire business to drive tangible improvements in our packaging performance. We recognise these innovations through our annual 'Gold Pack Packaging Awards', which celebrates packaging innovation across our business, and also more broadly through our Nestlé Environment Awards. Throughout the year, a number of innovative projects emerged across our business.

i. NESCAFÉ two piece cap to one

Produced at Nestlé's Gympie factory, NESCAFÉ Gold is one of Nestlé's most popular coffee products. Before packaging improvements were made, both 100g and 200g NESCAFÉ Gold jars were fitted with a two-piece PET and Poly propylene cap. This format not only prevented the jars from being completely recyclable, it also required an unnecessary amount of material due to the two-piece design

To improve the environmental impact, the team at Gympie commenced work to:

- change the existing two piece PET/PP cap to a one piece Poly propylene only cap resulting in a 51% and 45% reduction in weight for the 100g and 200g formats respectively
- add internal ribs to the inside of the cap preventing the jar from being dropped when picked up by the cap
- add instructions to the top of the cap for easy opening



Old two-piece jar (left), New one-piece jar (right)

Launched to the market in March 2010, packaging changes resulted in an annual saving of 260 tonnes of plastic per year, with an approximate cost saving of \$1 million annually.

ii. Format changes for Nestlé Morsels and Allens Jaffas

Nestlé produces 23.3 tonnes of chocolate morsels each year. Prior to the latest packaging format and process improvement, polypropylene pails were labelled, manually filled with 3kg of chocolate morsels and fitted with a lid. The packing process was very labour intensive, requiring separate paper labels and an excessive amount of packaging to create the pails.

After reviewing alternatives for both the process and packaging, Nestlé packaging technologists reviewed a number of alternatives before selecting a new 2kg bag. The new format removes the need for manual packing and individual paper labels. Additionally, it also considerably reduces the amount of manual labour required.

Launched in February 2010, the change in format has saved annually; 2.22 tonnes of polypropylene; 0.19 tonnes of corrugated casing; and 0.015 tonnes of paper. The process change has also positively impacted other projects by paving the way for other products previously manually packed, to move to automatic packing.

A similar format and process improvement was made for Allens Jaffas where 3kg of Jaffas were manually packed into five individual shippers, and then packed into a larger shipper for distribution. The entire process was not only labour intensive but required an unnecessary amount of corrugated packaging.

After a review by Nestlé packaging technologists, an automated process was introduced whereby 1kg bags were automatically packed into shippers. Launched in June 2010, annual savings are estimated to be 5.7 tonnes.

iii. New primary papers for BUTTER MENTHOL, SOOTHERS and ANTICOL

After a review of consumer feedback, the team at Nestlé's Blacktown factory commenced work to solve the problem of lozenges – BUTTER MENTHOLS, SOOTHERS and ANTICOL – sticking to their primary papers when exposed to humid conditions.

Initial investigations highlighted the potential for silicon-coated, paper laminate to replace the existing wax coated paper, and trial substitution commenced in April 2009. Initial results were positive and substitution continued into late 2009, with full transition complete by May 2010. Along with the decrease in consumer complaints, less paper was required, resulting in an annual saving of 1.6 tonnes of material.

iv. Reducing steel thickness of MILO and NESCAFÉ tins

Both Gympie and Smithtown factories continue to deliver packaging innovations to minimise negative packaging impacts. The latest example involved the steel ends used to create MILO and NESCAFÉ tins.

In collaboration with Nestlé's steel supplier, weight reductions in the steel ends used were made across a number of MILO and Nescafé products in various sizes. On average, a 10% reduction was achieved delivering annual savings of approximately 17 tonnes for Smithtown and 11.5 tonnes of steel for Gympie.

v. **Optimising carton flap dimensions for cereals**

Our team at Nestlé Wahgunyah continues to drive reductions in board usage across its cereal cartons, building on the positive packaging improvements achieved in 2008.

As part of Nestlé's 'Right Size, Right Price' project and in conjunction with our supplier, our new carton flap formats give us:

- An initial 2% reduction in board usage by weight per carton
- Annual reduction of 7.4 tonnes across 2 shell sizes
- And, the potential for a further 22.1 tonnes of savings across remaining unaltered shell sizes

Further enhancements to the reclosure tab also created a more effective (and consumer friendly) closing system.



New design overlaying old design

COVENANT GOAL 2:
EFFICIENT RESOURCE RECOVERY SYSTEMS FOR CONSUMER PACKAGING AND PAPER

OBJECTIVE	ACTION	NESTLÉ PERFORMANCE MEASURE	09/10 INITIATIVES
<p>5 Maximise the recovery of post-consumer packaging generated by Nestlé staff.</p>	<p>5.1 Enhance collection facilities, beyond current coverage for the on-site collection of post-consumer packaging recycling generated by Nestlé factory and office staff in kitchen and café areas.</p>	<ul style="list-style-type: none"> ▪ Enhance on-site recycling facilities for collection of post-consumer packaging from factory and office staff. ▪ Reflect the enhanced collection facilities and other environmental initiatives across Nestlé's Environmental Management System and/or Corporate Social Responsibility Reporting frameworks. 	<p>Nestlé continues to maintain on-site recycling facilities for the collection of post-consumer packaging from factory and office staff. Recycling facilities are available at all factories and offices to recycle plastics, metals and cardboard. Where food safety regulations allow, organics and glass recycling are also provided.</p> <p>Effective waste management, including the provision of on site recycling facilities, forms an integral part of our ISO 14001-compliant 'Nestlé Safety, Health and Environment System'. Each of our factories is required to maintain a management system which meets the requirements of the corporate Safety, Health and Environment System and subsequently ISO 14001. ISO14001 is accredited by JAZ-ANZ (Joint Accreditation System of Australia and New Zealand, which is the government-appointed accreditation body for Australia and New Zealand responsible for providing accreditation of conformity of assessment bodies).</p> <p>Head office</p> <ul style="list-style-type: none"> ▪ The online Managed Print Solution, which requires employees to swipe a pass to activate printing, at Nestlé's head office has decreased paper usage by 48.4% since its inception in March 2009 – an increase in savings from the September 2009 result of 43%. ▪ ISO 14001 certification communication was distributed to head office staff to ensure awareness and compliance. <p>Factories</p> <ul style="list-style-type: none"> ▪ All factories are now ISO 14001 certified ▪ World Environment Day communication at Nestlé's Smithtown Factory to raise awareness amongst employees and the local community of the importance of energy, water and waste reduction.

**COVENANT GOAL 3:
CONSUMERS ABLE TO MAKE INFORMED DECISIONS ABOUT CONSUMPTION, USE AND DISPOSAL OF PACKAGING OF PRODUCTS**

OBJECTIVE	ACTION	NESTLÉ PERFORMANCE MEASURE	09/10 INITIATIVES
<p>6 Ensure Nestlé customers are aware of correct recovery and disposal options for Nestlé products.</p>	<p>6.1 Work with industry groups to improve the recovery of packaging from Nestlé products consumed both in the home and away-from-home, including recovery from public places.</p>	<ul style="list-style-type: none"> ○ Identify industry groups. ○ Percentage of industry group meetings attended. ▪ Number of projects resulting from collaborations. 	<p>Nestlé continued to work closely with industry groups during 09/10, resulting in two projects:</p> <ul style="list-style-type: none"> ▪ As part of the Australian Food and Grocery Council's work to input into the development of the Sustainable Packaging Guidelines, Nestlé provided feedback to draft principles in regards to the way these would be implemented. ▪ Proposed partnership with Eco Products Agency to support an integrated supply chain solution that improves mixed plastics recycling in Australia. The project aimed to bring together stakeholders needed to create an integrated supply chain solution to drive wide-scale recycling of non-bottle plastics packaging in Australia. While Nestlé management approved the financial support for the project the submission for further funding by the NPC was not approved. <p>As per the Annual Report for 08/09, it remains impractical to quantify the percentage of industry group meetings attended or number of cooperative meetings held with industry groups. We will however look to amend this performance measure (along with 6.3) in future Action Plans to ensure it is focused on value-generating industry engagement and outcomes and not simply the number of meetings attended.</p>
	<p>6.2 Continue, through packaging reviews to review existing and new products every year to ensure disposal guidance is provided on all products and an identification number on all plastic rigid packaging by July each year.</p>	<ul style="list-style-type: none"> ▪ Percentage of products with correct disposal guidance. ▪ Percentage of plastic rigid packaging with identification number. 	<p>Nestlé has not carried out an audit of disposal and recycling communications on our packaging since the audit undertaken during the 08/09 reporting period.</p>
	<p>6.3 Work with industry associations to promote recycling and to support the provision of information to consumers on packaging.</p>	<ul style="list-style-type: none"> ▪ Number of cooperative meetings held and/or initiatives undertaken in association with industry associations. 	<p>One initiative was undertaken with industry associations during the 2009/10 period.</p> <ul style="list-style-type: none"> ▪ Presentation to the Sustainable Packaging Alliance roundtable to share Nestlé's experience in integrating sustainability in the New Product Development process, and delivering on the goals within EcoPP. The presentation covered how Nestlé manages the recovery and recycling of products, as well as the communications standards in place to ensure credibility of environmental claims <p>Further examples of progress against this measure are discussed in section 6.1.</p>

	<p>6.4 Continue to expand the provision of environmental and packaging related information contained within the Nestlé Australia internal Intranet to assist in the education of Nestlé staff</p>	<ul style="list-style-type: none"> ▪ Intranet updated on an annual basis. ▪ Intranet usage monitored on an annual basis. ▪ Environment and packaging related policies and procedures made available. ▪ Nestlé Action Plans and Annual Reports published. 	<p>Working closely with our employees is a critical component of our overarching packaging strategy. We seek to fully engage our employees through a range of mechanisms, including our staff intranet site. This ensures all employees are aware of our processes and policies and more broadly, helps to create a culture of packaging stewardship across our business. Throughout 09/10 updates were made to the intranet, including:</p> <ul style="list-style-type: none"> • Thought leadership paper by Nestlé's chairman Peter Brabeck-Letmathe, <i>Why CEOs are worried about the Environment</i> • Publishing of environmental and packaging policies along with National Packaging Covenant Action Plans • PIQET updates and developments including data collection tool • Packaging and Safety Health and Environment events • New procedures, documentation and policies <p>The environmental packaging intranet site registered 454 visits for the 09/10 year with the following breakdown:</p> <ul style="list-style-type: none"> • Environment: 140 • PIQET: 300 • Recyclability: 9 • Environmental policies: 5
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<p>6.5 Continue to promote staff awareness and participation in the National Packaging Covenant and Nestlé's action plan initiatives</p>	<ul style="list-style-type: none"> ▪ Number of internal & external articles/communications published 	<p>Nestlé continued to promote staff awareness across the business regarding our environmental packaging initiatives. We also promote our NPC commitments and packaging initiatives externally, to our consumers and the community.</p> <p>A variety of articles and communication activities were undertaken during the 09/10 reporting period. In total there were eight articles – these are summarised below.</p> <p><i>Awards and recognition</i></p> <p>Nestlé continued its work to promote innovation in sustainable packaging amongst employees. Those initiatives which assist Nestlé achieve its commitments under the NPC are recognised through our internal award platform, including the Nestlé Oceania Gold Pack Packaging Awards (see below case study 5 in Covenant Goal In Action: Case Studies, Initiatives And Challenges).</p> <p><i>Articles/communications- internal and external</i></p> <ul style="list-style-type: none"> • Presentation at Committee for Economic Development of Australia (CEDA) by Nestlé's Global Vice President on Global Food Security attended by Nestlé employees • Article on PIQET in trade magazine, <i>PKN Packaging news</i> • Packaging case study featured in CSV reports (both internal and external audience) • Article on NESCAFE Gold's one-piece lid in our internal newsletter, <i>Nestlé Life</i> • Article on Nestlé Purina's packaging award for new Friskies packaging in our internal newsletter, <i>Nestlé Life</i> • Internal communications regarding Nestlé's Packaging Awards, <i>Oceania Gold Pack Awards</i> • Email alerts to highlight Ease of Use considerations • Second Nestlé Oceania Creating Shared Value sustainability report released in April 2010
<p>6.6 Continue to expand the provision of environmental and packaging information contained within the Nestlé Australia <i>website</i> to assist in the education of the Australian community regarding packaging.</p>	<ul style="list-style-type: none"> ▪ Website updated on an annual basis ▪ Website usage monitored on an annual basis. ▪ The consumers can make enquiries through the website. ▪ Ensure Environment Policy and Packaging Policy for Nestlé Oceania are available. ▪ Ensure Action Plans and Annual Reports are available. ▪ Ensure Recycling and disposal information for post consumer packaging are available. 	<p>Through the Nestlé Australia website, we make a range of information available to our consumers and stakeholders on our packaging policies and our performance. We also provide information on how our consumers can best recycle and dispose of our products, including a link to Planet Ark information resources. Consumer enquiries are directed through the Contact Us section of the site.</p> <p>In the first half of 2010, Nestlé commenced a refresh of its corporate website, which included the Safety, Health and Environment section. The site provides consumers with information across a number of areas including Packaging and enables our consumers to track our performance and commitments, by making our National Packaging Covenant Action Plans and Annual Reports available for download.</p> <p>Continuing on from the last reporting period, Nestlé promoted its 2009 sustainability report <i>Creating Shared Value</i>, to our consumers through the website, with a small amount printed for employees and external stakeholders. This report contained detailed information on our packaging performance and initiatives.</p> <p>The packaging section of the website (www.nestle.com.au/Community/Environment/Packaging) registered 2094 unique visits for the 09/10 year.</p>

COVENANT GOAL IN ACTION: CASE STUDIES, INITIATIVES AND CHALLENGES

4. Sustainability Reporting – engaging consumers and employees

In February 2010, Nestlé Oceania released its second sustainability – or “Creating Shared Value” – report. This, now annual report, complements Nestlé’s global reporting and more fully explains Nestlé’s social, environmental and economic performance to a broader set of regional stakeholders, consumers and importantly, employees.

As with the inaugural report, to ensure quality reporting, the Global Reporting Initiative was used as a framework for presenting information, and packaging, as a ‘material’ environmental issue for Nestlé Oceania’s business, was again a key component of our Creating Shared Value report. It contained commentary on our packaging strategy, current challenges, case studies and initiatives, and set out our commitment to packaging initiatives such as the National Packaging Covenant.

The report is made available on Nestlé’s corporate website (www.nestle.com.au/)

This year’s report also included a range of packaging performance indicators, including:

- Net tonnes of product sold
- Net tonnes of packaging used
- Product to packaging ratio
- Total ‘recyclable’ packaging sold (tonnes)
- ‘Non-recyclable’ packaging sold (tonnes)
- Recycled content by weight (%)

These performance areas are reported against each year, giving our stakeholders the ability track our packaging performance over time.

Our Creating Shared Value Reports continue to complement Nestlé’s NPC Annual Reporting, and also ensure we are proactive about reporting in this area to our consumers and employees.

5. Recognising innovation in packaging

Nestlé continues to drive excellence from an internal perspective through the continuation of its key employee recognition programs for packaging innovations.

Nestlé Oceania Gold Pack Packaging Awards celebrate packaging innovation across our business and include a specific environmental category to recognise and reward leading environmental packaging initiatives. These categories seek to recognise activities which help Nestlé meet its commitments under the NPC and Environmental Code of Practice for Packaging (ECoPP) and deliver its packaging strategy. The 2010 environment award winner was NESCAFÉ’s move to a one-piece lid (case study 3.1 in Covenant Goal In Action: Case Studies, Initiatives And Challenges for more detail).



Creating Shared Value Report 2009

COVENANT GOAL 4:
SUPPLY CHAIN MEMBERS AND OTHER SIGNATORIES ABLE TO DEMONSTRATE HOW THEIR ACTIONS CONTRIBUTE TO GOALS

Objective	Action	Nestlé Performance Measure	09/10 Initiatives
<p>7 Maintain the Nestlé's No Waste at Work program (or equivalent) at all manufacturing sites and distribution centres in relation to solid waste minimisation and recovery.</p>	<p>7.1 Continue to implement a waste information management system to track and report annually on:</p> <ul style="list-style-type: none"> (i) Packaging, environmental and waste minimisation projects within each site including; (ii) The amount and type of packaging material recovered for recycling; (iii) The amount and type of packaging material sent to landfill; and (iv) Performance against established environmental and financial waste management targets. 	<ul style="list-style-type: none"> ▪ Report on the various environmental and waste minimisation projects at Nestlé sites. ▪ Amounts of packaging from site collections, which is sent for recycling. ▪ Amounts and types of packaging from site collections, which is sent to landfill. ▪ Determine whether performance targets are met annually and reported on. 	<p>Our 'War on Waste', a continued focus on reducing waste before it can occur, contributed to reductions in waste throughout 2009, and into 2010. 'War on Water' focuses on a range of elements which lead to wastage, including things such as obsolete raw and packaging materials, recall costs and bad goods (warehouse expired stock, transport damage and customer returns).</p> <p>Nestlé Continuous Excellence (NCE), the core of our strategy to drive operational efficiency throughout our business, also has had a demonstrable impact on removing wastage from our business. NCE aims to engage and empower all employees in a 'zero defect, zero waste' mentality across our value chain. Through the program we have been able to reduce accidents, waste, unplanned stoppages, quality defects and consumer complaints, and improve productivity.</p> <p>As part of NCE, we have also introduced the LEAN initiative to focus our efforts on eliminating waste from our business. This initiative is discussed further in the Sourcing, Agriculture and Supply Chain section.</p> <p><i>Continued over page</i></p>

		<p>Measurement, reporting and management</p> <ul style="list-style-type: none"> • The 'Nestlé Eco Reduction Program' continues to be a key program and ensures we are closely measuring our performance and impacts and reducing our energy, water and waste consumption. • We report our waste management performance, along with our energy and water performance, annually through our sustainability report, <i>Creating Shared Value</i> <p>Driving operational improvements in our factories and facilities</p> <p>All Nestlé sites are required to develop annual Eco Reduction Plans to reduce energy and water usage and decrease waste generation, and to report on progress. A number of waste management actions have been implemented during the 2009/10 period, covering a range of areas, including:</p> <ul style="list-style-type: none"> ○ Introduction of various recycling initiatives ○ Installation of recycling bins in kitchens ○ Plastic recycling ○ Reduction of food waste ○ Review waste management procedures ○ Paper reduction within offices <p>Recycling and waste management performance</p> <p>Our performance, including recycling, is set out in the section 'Our packaging performance'. A snapshot of recycling performance is shown below:</p> <ul style="list-style-type: none"> • Packaging from site collections, which is sent for recycling = 2,579 tonnes (or 37%) • Packaging from site collections, which is sent to landfill = 4,343 tonnes (or 63%) <p>Note: these are total waste figures not just consumer packaging.</p>
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COVENANT GOAL IN ACTION: CASE STUDIES, INITIATIVES AND CHALLENGES

6. Eurotainers

As part of Nestlé's War on Waste, the team at Nestlé's New Zealand factory in Manukau (which supplies Food Service and Confectionery product to Australia) developed a new Food Services tub to reduce the amount of cardboard being used to pack product into cartons. The production line was modified to enable packing of all Foodservice products into a corrugated tray. The use of shrink film also allowed visibility of product branding and labelling, therefore removing the need for printing on the corrugated board, as per previous cartons.

The change to tray format results in cardboard savings of 40 tons annually, and whilst the trays require 6 tons of shrink film per annum, this initiative resulted in total packaging material savings of 34 tonnes per annum.



The original carton format (left) and the new Eurotainer with shrink film (right)

7. Improved palletisation

In March 2010, the team Nestlé's Cambria Park factory in New Zealand reviewed the palletisation format for Country Cup Soups. The change from a three to a six layer pallet, across 21 product lines, doubled the amount of stock on pallet, subsequently reducing the number of truck and forklift movements required by 50%. The improved format also reduced the number of slip sheets required significantly.

The overall environmental impact was improved by 2-23% across the key indicators of Climate Change, Water, Energy and Solid Waste.

**COVENANT GOAL 5:
ALL SIGNATORIES DEMONSTRATE CONTINUOUS IMPROVEMENT IN THEIR MANAGEMENT OF PACKAGING THROUGH THEIR INDIVIDUAL ACTION PLANS AND ANNUAL REPORTS.**

Objective	Action	Nestlé Performance Measure	09/10 Initiatives
8 Report on the performance against Nestlé's Action Plan demonstrating continuous improvement.	8.1 Contribute to Covenant Funding Arrangements as required each year.	<ul style="list-style-type: none"> ▪ Financial contribution made each year. 	Invoice has been received and payment is in process.
	8.2 Submit an annual report against the Action Plan.	<ul style="list-style-type: none"> ▪ Report lodged by 31 October each year. 	Complete
	8.3 Report annually against performance targets.	<ul style="list-style-type: none"> ▪ Report against performance targets and timelines demonstrates continuous improvement. 	Complete
	8.4 Undertake external verification of the achievement of Nestlé's Action Plan commitments for each annual report.	<ul style="list-style-type: none"> ▪ Verification complete and submitted with Annual Report, lodged by 31 October each year. 	See verification report on page 34 for 2009/10 reporting period.

Our packaging performance

The following table provides a comparison of our performance in packaging management since 2006/07. We are providing historical data in this year's report to assist our stakeholders review our ongoing performance. Since April 2009, we have also reported our packaging data to a wider group of stakeholders through our annual Oceania Creating Shared Value report.

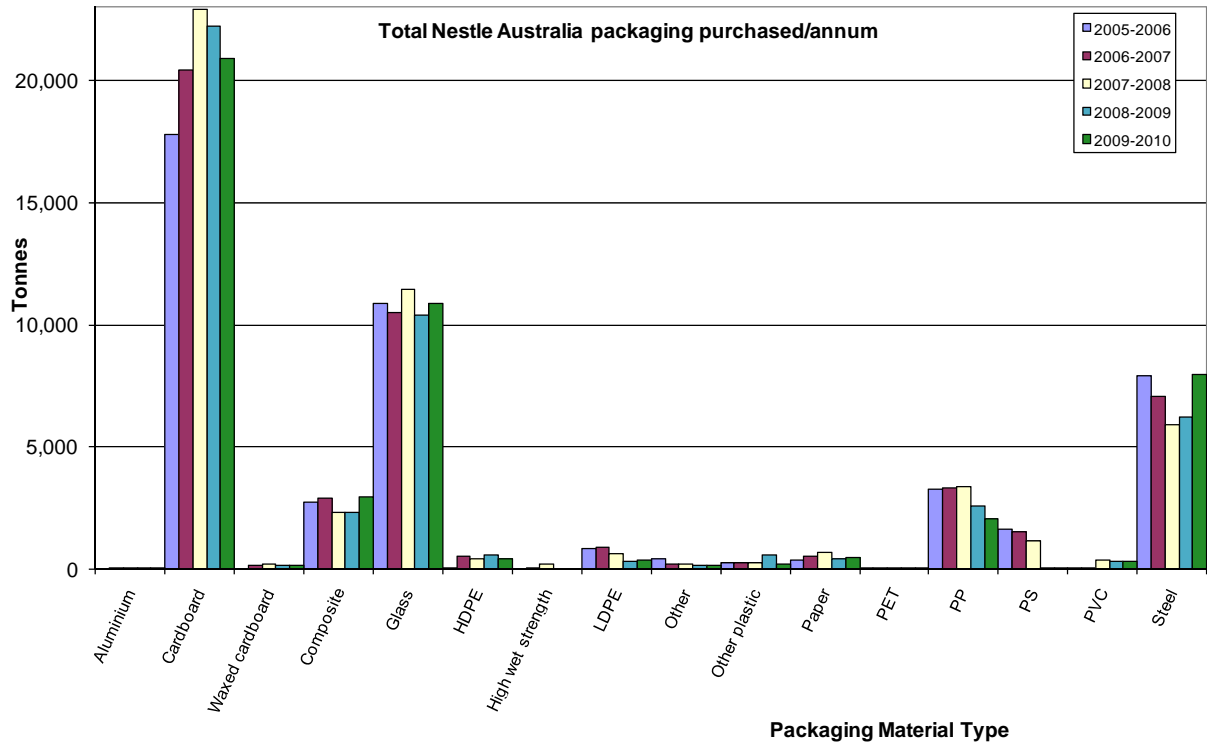
Looking at our 2009/10 data, we were pleased to see improvement in the amount of total plastics used with a 22% reduction when compared to last year. Our cardboard usage has also decreased by 6% compared to the 08/09 period. While the overall amount of packaging has increased by 7%, it is in line with an 8% increase in product sales.

We have experienced issues in obtaining accurate data from our offshore glass supplier. To overcome this issue, we have included calendar year totals from our factory data, which has proved more reliable when compared with our own sales & spend data.

The glass data below represents combined local and offshore glass usage from 2006-2009. While the remaining materials are reported in financial years, there are no seasonality issues or significant changes to volumes in NESCAFE product (for which the glass is used), thereby providing a valid comparison for the purposes of calculating product to pack ratios, and total tonnes of packaging used. Glass figures stated below from 2007/08 onwards reflect factory data, with totals recalculated accordingly.

We will continue to work with our glass supplier to rectify this issue for future reports.

Our Packaging Performance*	NPC KPI	2006/07	2007/08	2008/09	2009/10
Packaging by material type	1A				
Paper		548	678	421	484
Cardboard		20,431	22,939	22,352	20,919
Cardboard waxed		158	196	134	177
Plastics		6,583	6,240	4,499	3,494
Glass		10,506	2007 11,463	2008 10,378	2009 10,902
Aluminium		34	22	20	23
Steel		7,050	5,907	6,253	7,948
Composites		2,914	2,303	2,337	2,944
Other – wood		221	233	157	157
Net tonnes of packaging used	1A	48,481	50,171	46,418	47,045
Net tonnes of product sold	1B	323,511	272,697	244,738	263,531
Product to packaging ratio	1C	6.67:1	4.41:1	5.27:1	5.60:1
Total "recyclable" packaging sold (tonnes)	N/A	39,150	41,835	40,211	41,025
"Non-recyclable" packaging sold (tonnes)	6A	9,121	8,111	6,050	5,862
Packaging used that contains recycled content (%)	6B	69	70	74	76



* The data set relates to local Nestlé Australia packaging information only, which in 2009/10 accounts for 75% of our products sold by weight on the Australian market. It covers limited imported packaging or local contract manufacture, due to an inability to accurately measure imported and contract manufactured product materials at this stage. The 2009/10 data set covers 99.7% of supplier spend, representing our material packaging performance in terms of volume.

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
- Nestlé Australia & Packaging – <http://www.nestle.com.au/AboutUs/Pages/OurPackagingPolicy.aspx>
- Nestlé Global – www.nestle.com

Contact us

Please find below Nestlé's key contact for information regarding the National Packaging Covenant:

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ASSURANCE STATEMENT

SGS AUSTRALIA PTY LTD'S INDEPENDENT ASSURANCE REPORT ON PACKAGING DATA AND TEXT IN THE NESTLÉ AUSTRALIA "NATIONAL PACKAGING COVENANT – ANNUAL REPORT 2009-2010"

NATURE AND SCOPE THE ASSURANCE

SGS Australia Pty Ltd was commissioned by Nestlé Australia to conduct an independent assurance of the Packaging data and text contained within their "National Packaging Covenant - Annual Report 2009-2010". The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the 2009-2010 data and text contained in the sections "Reporting Against Action Plan Commitments" and "Our packaging performance". The reporting period is from 1st July 2009 to 31st June 2010.

The information in the "National Packaging Covenant - Annual Report 2009-2010" of Nestlé Australia and its presentation are the responsibility of the directors or and the management of Nestlé Australia. SGS Australia Pty Ltd has not been involved in the preparation of any of the material included in this report. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines and the AA1000 Assurance Standard. These protocols follow differing levels of Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured using our protocol for content veracity. The assurance comprised a combination of interviews with relevant employees in Nestlé Australia; evaluation of systems and processes for collection and collation of data; documentation and record review.

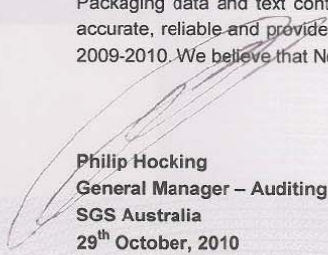
STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, occupational health & safety, social and ethical auditing and training; greenhouse gases emissions verification and sustainability report assurance. SGS Australia Pty Ltd affirms our independence from Nestlé Australia, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised qualified Engineers who are Environmental & Forestry Chain of Custody Lead Auditors and are approved as Sustainability Report Assurors.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the Packaging data and text contained within "National Packaging Covenant - Annual Report 2009-2010" verified is accurate, reliable and provides a fair and balanced representation of Nestlé Australia's packaging performance in 2009-2010. We believe that Nestlé Australia has chosen an appropriate level of assurance for this report.


Philip Hocking
General Manager – Auditing Division
SGS Australia
29th October, 2010

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