McCORMICK FOODS AUSTRALIA Pty Ltd

Australian Packaging Covenant Action Plan
Period: Dec 2010 – Nov 2015

McCormick Foods Australia
Australian Packaging Covenant, Action Plan 2010 – 2015

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1. Executive Summary

As a brand owner, McCormick Foods Australia is committed to the Australian Packaging Covenant (APC) and will continue to pursue and report on the targets that are listed in this new 5 year plan (see Table 1). Attached is the McCormick Foods Australia's Action Plan for the period December 2010 – November 2015.

McCormick Foods Australia has identified the need to extend our APC internal team. This cross functional team will lead the business in reviewing existing and new packaging. This ensures access of knowledge, skills and input of a wider range of people and will build commitment, effectiveness and ownership of the Covenant Action Plan across the business.

The main direction for this plan is to address the three main goals, Design, Recycling, Product Stewardship, and continue to improve on achievements from McCormick Foods Australia's participation in the National Packaging Covenant as well as highlight and investigate new opportunities. This will include the implementation of the Sustainable Packaging Guidelines (SPG) by reviewing all existing and new packaging against these guidelines. The packaging formats will be grouped into product categories and a percentage will be reviewed each year, please refer to Appendix 1.

Under the performance goal, Recycling, McCormick Foods Australia will continue to expand our on-site recycling streams and educate staff on the programs that are in place and in development to build awareness. Another focus is to involve all suppliers and develop a Buy Recycled policy without endangering the quality or safety of our products. The intention is to integrate the policy in all procurement documentation and / or tender contracts. Recently, McCormick Foods Australia has delivered on its targets and identified major reductions in packaging waste. Please refer to Appendix 2 for the baseline data trends for the period, July 2005 – June 2010. The total packaging percentage of gross weight was 32%. The proportion of total non-recyclable packaging was 17.2% and the proportion of waste recycled was 23%. The material trend analysis against the baseline data can be located in Appendix 2 and 3 for the previous 5 years.

The third performance goal, Product Stewardship, will involve the APC Team working with suppliers, customers, waste management companies, local council and community to investigate opportunities to reduce or redesign packaging as a result of the SPG reviews, reduce packaging waste to landfill, educate consumers with specific disposal or recycling of packaging, and supporting external product stewardship schemes. The company's culture is focused on supporting local community-based programs.

Yours Sincerely,

Paul C Beard

Paul Beard
President Asia Pacific Zone

2. Introduction

This document represents the APC Action Plan for McCormick Foods Australia Pty Ltd for the period of December 2010 – November 2015, which meets the company's obligations as a signatory to the new Australian Packaging Covenant that came into effect on 01 July 2010 (hereafter referred to as the 'Covenant').

This new five year Action Plan details the steps that McCormick Foods Australia will take to improve the design and environmental performance of its packaging, and the way the company manages waste generated.

McCormick Foods is committed to developing its management systems to incorporate the requirements of the Sustainable Packaging Guidelines (hereafter referred to as 'SPG').

The first Annual Report will be submitted to the Covenant Council before the due date, which we understand is to be 31st of March 2012 and will report the progress that has been made against the Action Plan and the targets for the period of 01 December 2010 – 30 November 2011 which is aligned with our financial reporting period.

2.1 McCormick Foods Australia's History

McCormick and Company Incorporated headquarters is located in Baltimore, Maryland, USA. McCormick is the world leader in herbs and spices which commenced its Australian operations in 1966, importing and packaging retail products. By 1978 McCormick Foods Australia Pty Ltd had moved to a dedicated premise in Clayton South, Victoria and began supplying sauces for the fast food industry. Further expansion over the following years saw the establishment of an Industrial Division and a Food Service Division in 1982.

Along with its well known brands in spices, seasonings, sauces and recipe mixes, in 1994 McCormick purchased one of Australia's oldest and most recognised brands, Aeroplane Jelly. Also now produced by McCormick Foods are the brands Keens, Rice-a-Riso and Dinner Winner.

McCormick Foods Australia manufactures about 400 products for the Australian and Asian-Pacific markets and has a total workforce of approximately 240; 150 personnel are employed in manufacturing and 90 in administration in the Melbourne facilities.

In September, 2006, the West Ryde plant was relocated to the Melbourne manufacturing plant in Clayton South.

2.2 Brands Covered by the Report

As a brand owner, McCormick Foods Australia produces and markets quality products under the following consumer brands which are covered by this report:

- McCormick
- Aeroplane
- Keens
- Rice-a-Riso
- Dinner Winner
- Hermesetas
- Cake Mate

There are various types of packaging materials that are used. They include glass, tins, flexible laminates, bag in box, and rigid plastics. Please refer to Appendix 1 for the packaging formats and timetable. These categories will be reviewed to help develop a baseline of data that will establish generic packaging formats for new product evaluation against the SPG's.

The packaging reviews will be undertaken as product categories which are represented as follows:

Dry Sauce Mixes (DSM's)
Jelly (Dry Crystals)
Glass
Tins
Rigids
Imported products

2.3 Management Responsibilities

The Technical Director is the person charged with the responsibility for the preparation of this report and the implementation of the Action Plan and the associated data collection programs.

At present the key management tool used to assist with supporting the Covenant principles is the Sustainable Packaging Guidelines (SPG). These guidelines will eventually be used during the development stage of every new product to ensure a focus remains at the design phase of product development. All existing packaging will be reviewed as a percentage each year, until 2015.

The planned members of the McCormick Australian Packaging Covenant Team will include:

- Technical Director – Asia Pacific Zone
- Packaging Development Manager
- Vendor Scheduler – Packaging
- Quality Assurance Systems Co-ordinator
- OH & S Co-ordinator

- Product Development Technologist
- Distribution & Warehouse Manager
- Assistant Brand Manager
- Production Manager
- Continuous Improvement Manager

As the implementation of the SPG rolls out, the requirement and expertise of external resources will be requested. This will be key to the improvement and understanding of all potential opportunities arising from each product category.

2.4 Contact Officers

For more information about this report please contact:

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3. Summary of previous achievements

As a brand owner, McCormick Foods Australia has been a signatory to the NPC for many years and this has been extremely helpful in implementing internal projects that may never have come to fruition. There have been challenges along the way, however the most pleasing result was an understanding that the business is working towards a common goal and before the involvement of this program, it did not have a documented plan or policy.

The major achievements have been the installation of a stretch wrapping recycling scheme, improved water treatment plant, upgrades to major manufacturing equipment to improve efficiencies, light weighting of primary and secondary packaging. Improvement in the process and involvement of external companies will maximize the benefits of new projects within the business, which has built stronger internal communications.

The proportion of total waste recycled has increased over a five year period by 9%. The total product packaging percentage of gross weight was reduced by 4% over the same time period. The total packaging percentage of gross weight was 32%. The proportion of total non-recyclable packaging was 17.2% and the proportion of waste recycled was 23%.

Working with our suppliers and customers to investigate major opportunities has been satisfying and informative. For one product group of Dry Sauce Mixes, there was the elimination of a carton in secondary packaging that reduced the amount of cardboard by 11 tonnes. Please refer to Appendix 2 for Baseline data trends for KPI's 1, 6, 21 from the previous National Packaging Covenant plan. There is

room for improvement and with the help and education of the APC team and all staff members this involvement can rise to a higher level.

4. Action Plan

An Action Plan has been developed with reference to the Australian Packaging Covenant. The duration of the Plan is December 2010 to November 2015 to align with McCormick Foods Australia's financial reporting period. The Action Plan demonstrates how McCormick Foods will contribute to the APC Performance Goals.

As presented in Table 1, targets have been set for the actions identified in the Plan to address all three APC goals: Design, Recycling, and Product Stewardship. These have been established to demonstrate McCormick Foods Australia's plans for continual improvement.

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Table 1: Action Plan
Goal 1: Design – Packaging optimized to achieve resource efficiency and reduced environmental impact without compromising product quality and safety

KPI	Actions	Responsibility	Timeframe	Target	Evidence
1. Implementation of the Sustainable Packaging Guidelines (SPG) in design or procurement systems	1a. Establish APC team to review existing packaging against SPG	APC Champion	Q2, 2011	APC Team formed	Team meeting minutes documented and filed
	1b. Identify existing sustainability considerations in New Product Development, if any.	APC Team	Q2, 2011	All processes associated with new product development reviewed	Existing sustainability considerations identified and documented
	1c. Review and adapt the SPG for use within McCormick Foods Australia.	APC Team	Q3, 2011	Customised SPG tool created	Customised SPG tool
	1d. Modify existing processes to adopt the SPG	APC Team	Q4, 2011	Modified processes adopting the SPG in place	Modified New Product Development process, incorporating the SPG
	1e. Review all existing packaging using the customized SPG tool	APC Team	2015	Review 16% of existing packaging in year 1 Review 21% of existing packaging in years 2 to 5 100% reviewed by 2015	Utilise current product list Central database for all products tracking existing packaging reviews

	1f. Apply the modified New Product Development process (see Action 1d) against all new packaging formats	APC Team	2012	100% of new packaging reviewed against SPG	Central database tracking new packaging formats and the use of SPG against them

Goal 2: Recycling

KPI	Actions	Responsibility	Timeframe	Target	Evidence
3. Has an on-site Recovery System been established for recycling used packaging	3a. Review all current waste streams at the manufacturing site and office facilities	APC Team	Q4, 2011	All waste streams reviewed	Outcome from reviews documented and filed
	3b. Set up waste management contact lists	APC Team	Q3, 2011	Accurate records obtained.	Records filed
	3c. Conduct waste audits at all sites to evaluate the existing waste streams.	APC Team	2013 for all sites	Complete audit for the manufacturing site by 2011. Complete audit for raw materials site by 2012. Complete audit for finished goods site by 2013.	Audits documented and filed
	3d. Following audits, identify opportunities and develop strategies and targets for waste reduction and improved recycling rates.	APC Team	2014	Appropriate opportunities identified.	Strategies and targets documented and published

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4. Establish a Buy Recycled policy to buy products made from recycled packaging	4a. List and identify opportunities to document a new policy	APC Team	Q4, 2011	Appropriate opportunities identified.	Opportunities documented and filed
	4b. Document and implement a Buy Recycled Policy into company procedures	APC Team	Q4, 2012	Policy documented and implemented	Company procedures modified to include the Buy Recycled Policy
	4c. Develop baseline report on current use of recycled content in packaging	APC Team	Q4, 2012	Baseline data created	Baseline data and report documented

Goal 3: Product Stewardship – A demonstrated commitment to product stewardship by the supply chain and other signatories.

KPI	Actions	Responsibility	Timeframe	Target	Evidence
6. Formal processes for working with others to improve design and recycling of packaging	6a. Work with packaging suppliers to source, evaluate and trial sustainable packaging solutions	Packaging Manager	2014	Trials conducted by 2013	Regular supplier meeting minutes
	6b. Identify sustainable packaging alternatives to be implemented	APC Team	2014	Sustainable packaging alternatives implemented by 2014	Implementation of sustainable packaging alternatives documented and reporting in future APC Annual Reports

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	6c. Conduct review processes collaboratively with existing customers to identify joint opportunities	APC Team	2012	Collaborative actions or joint opportunities identified and included in updated Action Plan	Regular customer meeting minutes Shortlist of joint opportunities documented and filed
7. Other product stewardship outcomes for packaging	7a. Identify current suppliers that provide returnable packaging	APC Team	Q4, 2011	List of suppliers that provide returnable packaging created All returnable packaging is collected	Correspondence with suppliers documented and filed
	7b. Work with waste management companies to investigate further recycling options	APC Team	Q4, 2011	Company process around working with waste management companies formalized	Recycling options documented and filed
	7c. Identify and implement waste collection systems for materials going to landfill	APC Team	Q4, 2012	Waste collection systems identified and implemented	Records documented and filed
	7d. Establish an ongoing partnership with Cash for Computers to support electronic waste product stewardship scheme	APC Team	Q3, 2011	Partnership established	Correspondence with Cash for Computers documented and filed
	7e. Establish a company policy for e-waste recycling	APC Team	Q1, 2012	E-waste recycling policy established	Policy documented
	7f. Work with Canon to support “Cartridges 4 Planet Ark” recycling scheme	APC Team	Q3, 2011	Partnership established	Correspondence with Canon documented and filed

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	7g. Establish a company policy for print cartridge recycling	APC Team	Q1, 2012	Cartridge recycling policy established	Policy documented
	7h. Investigate Energy from Waste (EfW) opportunities for waste plastic including composites	APC Team	Q4, 2011	1 opportunity investigated	Investigations and correspondence documented and filed
	7i. Meet with companies who specialise in this field and record the outcomes.	APC Team	Q4, 2011	Partnership established	Outcome from meetings documented.
8. Reduction in the number of packaging items in the litter stream	8a. Include consumer message on all recyclable packaging for new and re-launched products to encourage landfill diversion.	APC Team	2015	Message included where applicable, ie: Tidy Man logo	Document the products and the recycle message / logo.
	8b. Educate staff at all facilities in the use of current recycling systems	APC Team	2013	Record of training.	Document and file training records

4.1 Table 2: Action Plan with baseline data

KPI	Baseline data
1. Integration of the Sustainable Packaging Guidelines (SPG) in design or procurement systems	No. There are currently no guidelines set up in design or procurement systems.
3. Has an on-site Recovery System been established for recycling used packaging	Yes. Several waste streams are currently sent for recycling at all sites, however more improvements can be made.
4. Establish a Buy Recycled policy to buy products made from recycled packaging	No. There is currently no policy in place.
6. Formal processes for working with others to improve the design and recycling of packaging	No. No formal process is currently documented, however regular meetings do take place with key suppliers and customers.
7. Other product stewardship outcomes for packaging	Yes. McCormick Foods Australia actively works with key people and companies within industry.
8. Reduction in the number of packaging items in the litter stream	No. McCormick products are exclusively designed for consumption in the home. Therefore litter is not an issue. Where applicable, McCormick Foods Australia provides a logo or message on the packaging to help educate the consumer to place the waste into the correct stream.

Appendix 1: EXISTING PACKAGING FORMATS & TIMETABLE FOR REVIEW

PRODUCT DESCRIPTION & CATEGORY	PRIMARY PACKAGING	SECONDARY PACKAGING	TERTIARY PACKAGING	TARGET
Dry Sauce Mixes' (DSM's)	Flexible Sachet	Corrugated carton with 2 labels x 12 sachets	Cartons palletised, & stretch wrapped	Q4, 2011
Dinner Winner (DSM's)	Flexible Sachet that includes a seasoning sachet	Corrugated carton with 2 labels x 8 sachets	Cartons palletised, & stretch wrapped	Q4, 2011
Rice - a – Riso (DSM's)	Flexible Sachet that includes a seasoning sachet	Corrugated carton with 2 labels x 8 sachets	Cartons palletised, & stretch wrapped	Q4, 2011
Jelly - 85g	Sachet in a carton	Linerboard Tray x 8 cartons, shrink wrapped with 2 labels	Palletised trays, stretch wrapped	Q4, 2012
Jelly - Lite (2 x 9g)	Two sachets per carton	Linerboard Tray x 8 cartons, shrink wrapped with 2 labels	Palletised trays, stretch wrapped	Q4, 2012
Jelly - Ready To Eat (Rigids)	Clear Polystyrene container with a foil lid	Pre-printed Corrugated carton x 8 containers	Cartons palletised, & stretch wrapped	Q4, 2012
Jelly – Foodservice (Rigids)	HDPE container, with label and closure	Corrugated carton with 2 labels x 12 containers	Cartons palletised, & stretch wrapped	Q4, 2012
Glass - Regular	Glass bottle, label, closure & tamper sleeve	6 bottles are shrink wrapped and labeled, then 12 of these 6 packs are packed into a corrugated carton which has two labels applied	Cartons palletised, & stretch wrapped	Q4, 2013
Glass - Family	Glass bottle, label, closure & tamper sleeve	4 bottles are shrink wrapped and labeled, then 6 of these 4 packs are packed into a	Cartons palletised, & stretch wrapped	Q4, 2013

		corrugated carton which has two labels applied		
McCormick Herb & Spice (Rigids)	PET container, label, induction seal and closure	Corrugated carton with 2 labels x 12 containers	Cartons palletised, & stretch wrapped	Q4, 2013
McCormick Mini's (Rigids)	PP container, label, induction seal and closure	6 containers are shrink wrapped and labeled, then 12 of these 6 packs are packed into a corrugated carton which has two labels applied	Cartons palletised, & stretch wrapped	Q4, 2013
Tins - Small	Tin, closure and tamper sleeve	6 tins are shrink wrapped and labeled, then 24 of these 6 packs are packed into a corrugated carton which has two labels applied	Cartons palletised, & stretch wrapped	Q4, 2014
Tins - Large	Tin, closure and tamper sleeve	6 tins are shrink wrapped and labeled, then 12 of these 6 packs are packed into a corrugated carton which has two labels applied	Cartons palletised, & stretch wrapped	Q4, 2014
Grinders (glass)	Glass bottle with label, grinder & printed tamper sleeve attached.	6 bottles shrink wrapped with ink jet coding, 6 inner units packed to a corrugated carton that contains one wrap around label	Cartons palletised, & stretch wrapped	Q4, 2014
Hermesetas Sweeteners (Imported)	Glass bottle with label, foil induction seal & polypropylene closure	6 bottles to a SRT corrugated base that is shrink wrapped.	Cartons palletised, & stretch wrapped	Q4, 2014
Hermesetas Mini's / Stevia (Imported)	Tablet dispenser within a printed blister pack	12 packs are shrink wrapped to a corrugated tray. 7 trays are packed into a corrugated	Cartons palletised, & stretch wrapped	Q4, 2015

		carton		
Hermesetas Stevia sachets (Imported)	Pre-printed carton contains 50 x 1g sachets that is shrink wrapped.	12 cartons packed into a corrugated carton	Cartons palletised, & stretch wrapped	Q4, 2015
Cake Mate Frostings (Imported)	Aluminium Aerosol can that has a printed tamper sleeve with a polypropylene closure	6 cans placed into a pre-printed corrugated carton	Cartons palletised, & stretch wrapped	Q4, 2015

Appendix 2: BASELINE DATA TRENDS FOR KPI's 1, 6, and 21 for 2005 - 2010

Key Performance Indicator	Units of Measure	09/10 Performance	08/09 Performance	07/08 Performance	06/07 Performance	05/06 Performance
Total weight of consumer packaging (domestic &imported) sold per annum into the Australian market and the total weight of products packaged	PET (tonnes)	7.9	14.5	18	19.5	21
	HDPE (tonnes)	0.2	0	0	0	0
	PVC (tonnes)	6.5	5.8	6	7	7
	LDPE (tonnes)	12.3	11.7	0	0	0
	Polypropylene (tonnes)	93	95.5	86	88.5	89
	PS (tonnes)	7.8	7.7	20.6	0	0
	Other Rigid Plastic (tonnes)	115.8	124.8	106	103	187
	Steel (tonnes)	101.5	52.7	68	73	66
	Cardboard (tonnes)	585.4	554.8	543	571	641
	Glass (tonnes)	1272.4	1310.4	1205	1278	2039
	Plastic film & composites (tonnes)	189.2	154.5	173	189	198
	Paper (weight)	42	46.2	13	14	16
	Total Packaging	2,433.9	2,378.8	2,238.6	2,357	3,264

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	(tonnes)					
	Total Product (tonnes)	7,601.7	7,118	7,255	7,772	9,048
	Packaging % of Gross weight	32%	33.4%	31%	30%	36%
Total weight, by type, of "non-recyclable" packaging sold per annum into the Australian market.	Total non-recyclable pkg. (tonnes)	418.1	394.2	385.6	394.5	474
	Proportion of Total Packaging	17.2%	16.6%	17.2%	16.7%	14.5%
Estimated tonnage of consumer packaging recycled and sent to landfill respectively, from on-site collection facilities	Tonnes disposed	590	679	656	718	1052
	Tonnes Recycled	134.5	125.3	140.1	98.5	122
	Proportion of Waste Recycled	23%	18.5%	21.3%	12%	12%

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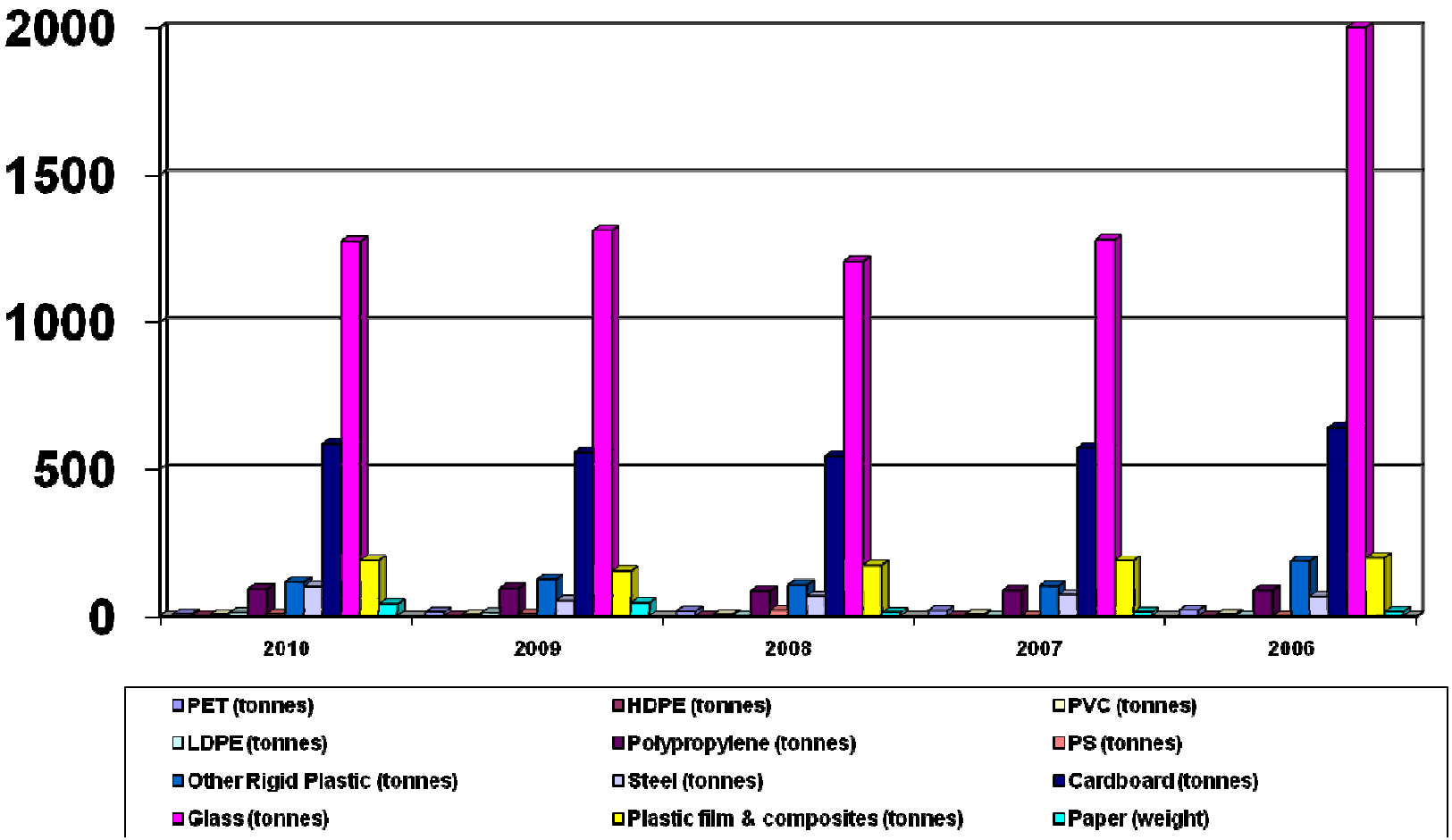

<u>Appendix 3:</u> GRAPH 1: MATERIAL TRENDS FOR KPI 1 FROM 2006 TO 2010

Appendix 4: ENVIRONMENTAL MANAGEMENT

The worldwide Corporate Environment Policy has been adopted by McCormick Foods Australia to provide a focus for the business activities in terms of minimising its environmental impacts.

As presented below, the Policy addresses many of the environmental aspects that are associated with the Covenant. Table 1 presents these aspects along with the associated environmental impacts.

Environmental Aspects and Impacts

Environmental Aspect	Environmental Impact
Weight of packaging	Raw material consumption
Non-recyclable packaging	Landfill disposal
Recycled content	Reduced use of virgin raw materials
Transportation	Fuel use and vehicle emissions
Factory waste	Landfill disposal

Corporate Environment Policy

Purpose:

To establish requirements for protection of the environment in our day to day business activities.

Policy:

McCormick and Company Incorporated is committed to conducting its business in a manner compatible with the environment and to comply with applicable laws and regulations. Reasonable standards of care shall be taken to protect the environment and to provide for the health and safety of employees and the communities in which we operate world-wide. To accomplish this, we shall take prudent steps to:

- *minimise solid waste by reducing, reusing and recycling materials*
- *encourage conservation of resources and energy*
- *provide training and education for our employees as appropriate*
- *support efforts by our customers and suppliers to establish and implement policies and procedures that also protect the environment*
- *participate with the communities in which we operate.*

In support of this policy, we shall employ principles of Total Quality, develop and implement procedures as necessary, and ensure that all employees are aware of their responsibility for management and control of the environmental, health & safety matters.