



National Packaging Covenant

**GENERAL MILLS
2007 REPORT**



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1. Introduction

On behalf of General Mills, I am pleased to present the 2007 General Mills Action Plan Report as a signatory to the National Packaging Covenant.

In 2006 the General Mills Australia/New Zealand managing director Dave Homer moved over to our Canadian division. His replacement **Luis Merizalde** has now been managing director for the local business for just over 1 year.

This report covers data and information pertaining to the period 01 August 2006 to 31 July 2007, with reference to ongoing activities up to November 2007. The contact person, to whom all queries should be directed, is:

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As managing director of General Mills Australia/New Zealand I am pleased to see the following report submitted which shows our continued support and commitment to the National Packaging Covenant.

General Mills International has recently launched an “International Packaging Sustainability” team further demonstrating our businesses commitment to minimising the environmental impact from our packaging on a global basis.

Luis Merizalde

Managing Director
General Mills Australia/New Zealand



2. Executive Summary

This report covers the period 01 August 2006 to 31 July 2007, for which IDAS data has been submitted. Where relevant and given the timing of the submission, comment has been made to status of actions out to November 2007.

Overall General Mills has continued to grow within both local and export markets during the 2006/2007 period. This has been achieved primarily through new line extensions and organic growth of our core brands. In the same period we have deleted both the Dorato & Wraps of the World brands and have reduced the number of SKU's produced in the Latina Pasta range.

We have continued to work with our packaging suppliers to assess ways to reduce, reuse and recycle materials. This has led to a major initiative to further down gauge film used to pack Tortillas. This project has been in development in the 2006/2007 period and implementation has begun in August 2007. The production team at our Rooty Hill site developed and implemented a smaller sized Taco wedge carton that both reduced the amount of carton board being used by 2400kg per annum and reduced flow wrapper jam ups hence reducing waste. They also converted over from 200 litre steel drums for tomato based raw materials, to 1400 litre returnable Good pack palecons. This has reduced the total quantity of plastic liners needed and improved transport efficiencies for this raw material.

We have worked with our customers to minimise the impact of shelf ready carton developments. Betty Crocker and OEP Tortilla based products have been converted to shelf ready with neither requiring a change in board grade. During 2007 another major project has been in development which will reduce the amount of corrugated board used in parts of our OEP range of products. The quantities for which will be reported on in our 2008 submission.

Areas that remain for General Mills to implement in 2008, include documenting the use of the environmental code of practice, implementing a buy recycle policy, finalizing targets to reduce the amount of packaging materials used and increase the amount of recycled materials used on an annual basis.



3. Product Range

In 2006/2007 General Mills continued to invest within its core businesses. New lines including the Just Add Milk and Warm Delights range for Betty Crocker have been implemented along with other product line extensions launched for both the Latina and OEP businesses. We also deleted two of our brands in 2007; both the Dorato & Wraps of the World brands are no longer in distribution. Staff numbers have continued to grow to approximately 550, employed at manufacturing sites in Melbourne, Sydney, Brisbane and East Tamaki in New Zealand. The turnover for the Australian business was in the \$100 – 250 Million turnover bracket. As we continue to invest in our growth, we are mindful that we must find ways to reduce, reuse or recycle packaging materials

General Mills produces and markets a range of products under the brand names shown in the following categories:

ITALIAN

Latina:

A range of fresh pasta, sauces and breads in a number of varieties and pack sizes.

MEXICAN

Old El Paso:

A range of ambient Mexican food and snack products such as meal kits, dips, salsa's, beans, seasonings, tortillas, and sauces.

CAKE MIXES

Betty Crocker:

A range of cake, muffin, slice, frosting and single serve products.

SPREADS

Pecks:

A range of meat and fish based spreads.

BAKERY PRODUCTS

Van den Bergh's & Croissant King:

Bakery products sold predominantly through foodservice and distributor channels

General Mills also distributes the Pataks brand in Australia



4. Packaging At General Mills

Packaging is an integral part of the supply chain of raw materials used by our company and in the delivery of our finished products to our customers.

We continue to maintain an on-going dialogue with packaging material and packaging system suppliers and are regularly assessing alternatives. We continue to run quarterly technical and procurement reviews with our key packaging suppliers who are also signatories to the covenant. This includes a constant review of opportunities to reduce the impact of packaging throughout the life cycle of our products.

We also continue to review with our marketing teams, opportunities to develop new and existing packaging, in the form of function or decoration. The impact of any packaging change made is reviewed by our new product development teams before progressing to commercial development.

Packaging represents a cost to us and while changes can be motivated by a range of factors, the over-riding consideration is the integrity of our products when finally opened by the consumer.

Raw materials and retail products are packed in a range of materials and may in some cases combine several different items, each requiring a unique package.

Materials used include:

- Carton board, usually printed
- Thermoformed composite plastic pouches
- Plastic bags/pouches with multi-layer material structures used to attain specific barrier properties
- Glass jars
- Metal lids
- Metal cans
- Plastic tubs and lids - Polypropylene
- Multi-layer flexibles, for sachets; structure depending on contents
- Labels, Polypropylene and paper
- Corrugated cartons, for shipping and collating
- Shrink-wrap film, for collating on pallets



5. Packaging Stewardship At General Mills

In response to the pressure to contain costs and remain competitive, but in keeping with our goals of providing the highest degree of integrity for our product when delivered, initiatives relating to packaging minimisation have been continued through 2006 & 2007.

We continue to recycle all multi-wall paper bags, cartons and cardboard used within our operations. Where shipping cartons are sufficiently intact, they are sold to a secondary user.

Rented, reusable pallets are used throughout our handling and distribution system. The small number of disposable pallets on which a few imported products arrive, are made available to local industries.

We continue to specify Lined palecons for raw materials such as egg pulp & blended dry mixes allowing their return to the supplier. Bulk delivery and on-site silo storage is used wherever possible to eliminate raw material packaging/container disposal and manual handling issues.

In addition to these items in the past 12 months we have changed from 200litre Steel and fibre drums for tomato based raw materials, to 1400litre returnable Goodpack palecons. This has reduced the total quantity of plastic liners needed and improved transport efficiencies for this raw material.

Raw material handling will continue to be an area of opportunity to reduce the impact of packaging, whilst improving handling, safety and efficiencies.



6. KPI Performance

All KPI's required for brand owners have been reported on in the IDAS. The key data from this is also included below.

KPI 1 – Total weight of consumer packaging

1A – Tonnes of packaging by material type and source

Material	Locally sourced - Tonnes	Imported sourced - Tonnes
Paper	419	13
Cardboard – Standard	1364	15
Plastics – PP	167	44
Glass	2780	43
Steel	194	117
Composites	903	41

1B – Tonnes of packaged product sold = 24929

1C – Ratio of product to packaging (by weight) = 4.15

We have had a slight decrease in this ratio in comparison to the 2006 data which resulted in a ratio of 4.20. The majority of products have not changed the ratio of product to packaging, however in 2007 we launched single serve products in Latina & Betty Crocker which have a lower ratio than current offerings. This is driven mainly by the lower net weight of the product. In the Latina offering we launched a 220g sauce tub, where we minimized this impact by using a pre printed tub instead of a self adhesive label which is used on current products.

We expect the ratio to go up in 2008 due to some key projects that are in the process of being implemented. Specifically the projects will result in a reduction of composite plastics and corrugated fibre board used in the OEP business. They will come on stream for the next reporting period 01 August 2007 to 31 July 2008.

KPI 6A – Total weight of non recyclable consumer packaging sold per annum into the Australian Market

Plastics – Type 5 PP) = 211 Tonnes
 Composites = 844 Tonnes
 Total = 1055 Tonnes

KPI 6B – Total non recyclable packaging as a percentage of total packaging sold = 17.6%

KPI 16A – Do you have on site collection for recycling facilities = Yes

KPI 16B – Current Recycling facilities include Paper/Cardboard & Metals only

KPI 21 – Estimated tonnage of consumer packaging sent for recycling and to landfill from onsite collection facilities

KPI 21A Consumer packaging from onsite collection which is sent to recycling = 404 Tonnes

KPI 21B Consumer packaging from on site collection which is sent to landfill – this was not reported on as it is not separated out from all other waste sent to landfill

KPI 22A – Has the Environmental Code of Practice for Packaging been formally adopted?

No this has yet to be formally implemented, however many elements of it are in use within existing GM procedures. The code will be implemented formally by June 2008, which will document its use.

KPI 26A – Have you adopted a buy recycled purchasing policy or practices?

No this has not been adopted formally.



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7. SUMMARY OF ACTION PLAN OUTCOMES 2006 - 2007

ITEM	RESPONSIBILITY	GOAL	TARGET DATE	2007 OUTCOMES
DESIGN				
1. Document the use of "The New Product Design" checklist for all new product design	Marketing/Production/R&D Packaging	Report against new products launched	September annually	Elements are documented within the new product development process. The new product design checklist has been formalized within the artwork development process which was launched in July 2007. This will continue to be reinforced in 2008.
2. Track the number of artwork changes and the resultant packaging material waste/write off. Target an overall reduction in waste as a percentage of units sold annually.	Supply Chain/R&D Packaging	Report against actual write off & Percentage reduction year on year	September annually	Reporting has not yet been implemented. Reduction in packaging write off has been a key 2007 business objective and is being tracked for this financial year. Expect to be in a position to report against this goal from May 2008.
PRODUCTION				
1. Implement an automated system for collecting and reporting on the following items on an annual basis; a. Tonnes of packaging by material type b. Tonnes of packaged product sold c. Ratio of product to packaging by weight	Production/Supply Chain	Implement system	August 2006	The system to collect and report on data is currently and will continue to be done manually.
2. Submit baseline data estimate for measurement against KPI's.	Supply Chain/R&D Packaging	Submit baseline data	June 2006	This was not completed until November of 2007, but has now been submitted on the IDAS database.
3. Develop spreadsheet to calculate tonnage & percentage of "non-recyclable" packaging sold, listed by material type.	R&D Packaging	Complete spreadsheet & report.	August 2006	Spreadsheet has been generated and is being used to develop data to report against and submit into the IDAS.
4. Set targets to improve ratio of packaging material to packaging goods sold by packaging material category in line with covenant targets.	Production/Supply Chain	Annual targets	August annually	We have driven reduction in material usage in some areas however in the main have not changed many SKU's. With IDAS data submitted in Nov 2007, targets are now being developed for the financial year May 2008 to April 2009.
5. Document annual actions that are implemented to achieve the targets.	R&D Packaging	Report	September annually	<p>1. Reduced the size & weight of our Taco wedge (carton board) from 3.7g to 2.9g. This was implemented in Dec 2006 and has reduced carton board usage by 2400kg per annum.</p> <p>2. Reduced gauge of Tortilla film, refer to commercial in confidence section for details.</p>
DISTRIBUTION				
1. As part of new product development evaluate Shipping and Pallet configurations.	Warehouse/Suppliers/R&D Packaging	Report against new product development	September annually	This is completed and documented for all new product development launches and is supported by our outer carton supplier.

Summary of Action Plans



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ITEM	RESPONSIBILITY	GOAL	TARGET DATE	OUTCOME
DISPOSAL				
1. Track the amount of corrugated material that is recycled	All divisions	Report on quantities	September annually	This is tracked and reported internally on a monthly basis and has been included in KPI 21A.
2. Re launch and measure effectiveness of office paper recycling	All divisions	Report on quantities	September annually	This was re-launched in September 2007 with the support of VISY. This will now be reported on monthly.
RESEARCH				
1. Assess industry developments for recycling of polypropylene.	R&D Packaging	Report	September 2007	This is an ongoing assessment, which to date has not progressed.
2. Assess possibilities for introducing recyclable materials to replace difficult to or non-recyclable materials currently used.	R&D Packaging	Report	September 2008	Development work is being undertaken with suppliers to evaluate the future possibility of using PS or PET based substrates to replace PVC/PE laminate used in pasta packaging. Trials are targeted for mid 2008.
MARKET DEVELOPMENT				
1. Aim for minimum order quantities of materials to reduce exposure to write off or waste packaging. Track the level of packaging write off created by material category by SKU	Purchasing/Production	Report	September 2007 & 2008	Minimum order quantities are being decreased to minimise stock holdings and hence any potential write off exposure as well as waste generation. Reporting is in the process of being implemented in May 2008.
2. Contribute to the Transitional Fund for Support of Curbside Recycling	Corporate	Contribute	Annually	As a signatory to the covenant we have and will continue in the future to support the transitional fund.
EDUCATION				
1. Continue to raise awareness of the N. P. Covenant among employees, co-packers and suppliers	Covenant cross functional team	Report	2008	Opportunities to reduce, reuse or recycle are regularly canvassed with packaging material suppliers. Office recycling was re-launched further raising recycling awareness.
2. Use company forums including newsletter/, intranet, senior management team meetings to canvas ideas and create awareness of the action plan and its progress	Covenant cross functional team	Report	2008	Ongoing.
LABELING				
1. Identify current packaging that does not have labeled disposal instructions and then update artwork without creating write off.	Marketing/Purchasing/R&D Packaging	Report on % completion	September annually	As of November 2007 the percentage of General Mills products that carry disposal instructions on labels is 29%. Plans for 2008 artwork changes will be finalized in March 2008, which include Latina & Betty Crocker SKU updates.

Summary of Action Plans



8. Appendix One

International Environment, Health & Safety

Our Vision

We will strive to make General Mills International the healthiest, safest and most environmentally responsible company in the world.

Our Mission

To achieve our vision we will strive to:

Implement global systems of health promotion, safety assurance, property protection, conservation and best environmental practices, and encourage our business partners to adopt similar high standards.

Promote and protect the physical, mental and social well-being of our employees and help injured and ill employees return to optimal health.

Prevent the occurrence of illness, injuries, fire and environmental incidents worldwide through proactive measures and pollution prevention.

Comply with all applicable laws and regulations and implement programs and procedures to assure compliance.

Our Values

We believe our employees are the company's most valuable assets, that all injuries are preventable, and their health, safety and work environment are of utmost importance.

We have an obligation to be responsible safety and environmental stewards in the communities where we do business around the world. We will work with employees and neighbors to effectively manage our efforts.

We will provide the necessary resources and training to empower each employee with the ability and knowledge to act in a healthy, safe and environmentally responsible manner.

We will achieve performance beyond compliance in situations where we can add value to our clients and to the company.

We will find ways to reduce costs through innovative health, safety and environmental initiatives and activities.

We will establish annual objectives for continuous improvement, and will regularly assess our performance.

We will communicate and consult with our employees, contractors, key stakeholders and interested parties on matters relating to environment, health and safety.

Chris O'Leary
Executive Vice President / COO
General Mills International

Luis Gabriel Merizalde
Vice President / Managing
Director
General Mills Australia Pty. Ltd.

Bill Ward
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Summary of Action Plans

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