



GlaxoSmithKline Consumer Healthcare
Division of GlaxoSmithKline Australia Pty Ltd
ABN- 47 100 162 481

NATIONAL PACKAGING COVENANT

MK II

YEAR 2 ANNUAL REPORT

JULY 2006 – JUNE 2007

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1. Executive summary

GlaxoSmithKline Consumer Healthcare (GSKCH) Australia, a division of GlaxoSmithKline Australia Pty Ltd first became a signatory to the National Packaging Covenant in November, 2001.

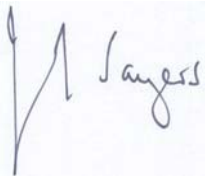
This report represents our Year 2 achievements against the recently modified National Packaging Covenant MK II and covers the period 1st July 2006 – 30th June 2007. The report measures performance against our baseline data generated for the period 1st July 2004 – 30th June 2005 & progress against our action plan.

The performance results within this report clearly demonstrate our ongoing commitment & obligations as a signatory to the National Packaging Covenant MK II. The results have been validated against independent processes & systems to ensure relative accuracy against baseline data.

The establishment of quantitative performance measures is proving to be very beneficial and provides benchmark data for internal & external purposes. The data provides a tool to better understand the impacts of change on our business as well as trading environments.

We are delighted with our achievements & contributions we've made since becoming a signatory to the National packaging covenant. Improvements in our packaging to product ratios are equally impressive and show similar tonnages of packaging materials being consumed against higher sales volumes versus the previous reporting period (Year 1).

The reporting process has identified additional opportunities that will be undertaken throughout the Year 3 period and will provide new actions & challenges for our cross functional teams in the months ahead. The IDAS data was lodged prior to the closing date.



John Sayers
Vice President & General Manager
GlaxoSmithKline Consumer Healthcare Australia & New Zealand.

2. GlaxoSmithKline Consumer Healthcare Australia

2.1 Company information:

GSK Australia Pty Ltd is a major contributor to the health and economic wellbeing of all Australians, employing more than 1,500 highly skilled professionals engaged in research and development, medical, regulatory and clinical research, manufacturing, distribution, sales and marketing. The company has two operating groups:

- Pharmaceuticals (prescription pharmaceuticals and vaccines)
- Consumer Healthcare (over-the-counter medicines, oral care and nutritional healthcare)

GSK Consumer Healthcare is one of the largest suppliers of OTC medicines to pharmacy based retailers in Australia. Its headquarters are located in Ermington, west of Sydney, New South Wales. The facility manufactures and packs non-prescription healthcare products for Australia and export markets. GSK Consumer Healthcare Australia employs approximately 500 people and has annual sales within Australia of approximately \$250 million.

Local manufacturing within Australia commenced at Glebe in the 1920s and in 1959 relocated to Ermington in Sydney's western suburbs.

As a packaging user and brand owner, GlaxoSmithKline Consumer Healthcare Australia (GSKCH Australia) manufactures and packages a range of over the counter (OTC) medicines, oral care products and drinks.

As a pharmaceutical manufacturer, GSKCH Australia is licensed by the Therapeutic Goods Administration and is governed by the code of Good Manufacturing Practice. Such strict guidelines limit the use of recycled materials in direct product contact.

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2.2 Products and business structure

The company has a number of core businesses. Some of the brands are listed below:

Analgesics Panadol®, Panadeine®, Childrens Panadol®, PanafenIB

Oral Care Macleans® toothpaste & brushes, Sensodyne®, Polident®

Smoking Cessation NicabateCQ®

Nutritionals Lucozade®, Ribena®, Horlicks®

Others Zovirax®, Beconase®, Zantac®, Lip-Eze®, Phisohex®

2.3 Nominated Contact Person and details

Contacting officer:

Questions relating to the GlaxoSmithKline Consumer Healthcare annual report may be directed to:

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SPECIFIC ACTIONS & KEY PERFORMANCE INDICATORS

Covenant goal 1: Packaging optimized to integrate considerations about resource efficiency, maximum resource utilization, product protection, safety and hygiene.

KPI 1: Report on the system / process used to record quantities of packaging used to manufacture and sell products in the Australian market. Signatories should document data on the packaging sourced from imported and domestic markets separately.

Our ultimate goal is to reduce the packaging to product ratio without compromise to public health, product safety and the environment.

Objective	Action	Status of action
<p>1. Establish baseline data through the development of the GSKCH Australia data information system.</p>	<p>Design and develop data capture system.</p> <p>Populate system with base information and establish the following baseline data measures:</p> <ol style="list-style-type: none"> 1. Tonnes of packaging by material type and source (ie local or import) 2. Report tonnes of packaged product sold 3. Report ratio of product to packaging materials (by weight) 	<p>Complete</p>
<p>Continue with the establishment of baseline data through the development of the GSKCH Australia data information system. Identify additional opportunities that would contribute to the reduction of packaging to product ratio.</p>	<p>Identify opportunities to further refine the data collection and use data for October 07 reporting purposes</p> <p>Review baseline data and detail additional opportunities.</p>	<p>Complete.</p> <p>Complete.</p> <p>Ongoing development of systems to facilitate reporting still in-progress.</p> <p>Complete.</p>

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KPI 1 data:

Results (recorded in Tonnes, '000Kg)						
Year	Baseline(04/05)	05/06	06/07	07/08	08/09	09/10
1A	5020	5024	4963			
1B	16884	18764	18388			
1C	3.4 : 1	3.7: 1	3.7 : 1			

Key points from KPI 1 data:

- 1) Trends continue to show reductions in packaging to product ratio.
- 2) Significant increases in sales for a number of product families have not resulted in equivalent volumes of packaging being consumed & waste to landfill has not been adversely impacted.
- 3) Year 2 results reflect the full benefit of the Ribena® brand moving from Glass to PET bottles.

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KPI 3: Document how and to what extent GSKCH Australia are going to improve design, manufacture and distribution of packaging to reduce the environmental impact.

Objective	Action	Status of action
<p>1. Investigate the potential for each of the business units(GMS, Analgesics, Oral Care, NRT, Enterprise and Distribution) to reduce the environmental impact of packaging waste.</p>	<p>1. Monitor progress of implementation through quarterly meetings with inhouse NPC team.</p>	<p>Complete: The team found this action was best served via active membership on NPD teams / pack update projects.</p>
<p>2. Review and approve the use of all packaging materials required for future NPD. Such a review must extend to product sourced from both local and global manufacturing partners.</p>	<p>2. Apply the ECoPP on the selection of Packaging components proposed for NPD</p>	<p>Complete & ongoing review / evaluation.</p>

Key points from KPI 3 actions:

- 1) Switch from Glass to PET for the Ribena® brand bottled SKU's. This was only partially implemented in year 1.
- 2) Development work in progress on a number of Analgesic SKU's. The development work is not expected to be finalised until the next action plan period (year 3).
- 3) Zovirax® brand of SKU's (pump & tube) have each changed from metallised polyester laminate boards to non composite boards, rendering them recyclable for the future.
- 4) Macleans® paste products, continue to use 100% recycled content board for launches within period and continue to provide a market for recycled carton board.

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KPI 4: Report on and explain significant changes to packaging affecting weight, compound or materials. Changes may be driven by improved shelf life, cost, technology, environmental benefits and OH &S issues.

Objective	Action and target	Status of action
<p>1. Identify all changes likely to impact (negative and positive) landfill via the INHOUSE change control process.</p> <p>Such changes may include the implementation of EAS tags (source tagging) and shelf ready designs as part of the impacts on the environment</p> <p>2. Capture all sources of manufacture within the GMS network</p>	<p>Changes to packaging systems must re-establish impacts to weight and landfill.</p> <p>Review the viability of introducing a re-use scheme for retail shelf packaging so as to minimise cost and waste</p> <p>Mandatory approvals of change controls relating to NPD and changes as above must be sighted by EH&S and Packaging Development</p>	<p>Complete. All pack changes are reviewed via the change control process & the environmental impact understood prior to product launches.</p> <p>Ongoing: Requires further evaluation</p> <p>Complete. Included as part of change control for all NPD & current products sourced from global supply sites.</p>

Key points from KPI 4 actions:

- 1) A number of new products have been launched in the shelf ready format & have resulted in the use of additional packaging that has negatively impacted product to packaging ratios.
The following products were launched to market in shelf ready formats & respective additional packaging weights calculated:

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Product	Additional packaging (Shelf ready) tonnes ('000kg)
Andrews® Tums 20's	0.14
Andrews® Tums 40's	0.55
Nicabate® Lozenge Mint BOGOF 2mg 48's	0.50
Nicabate® Lozenge Mint BOGOF 4mg 48's	0.51
Nicabate® Gum BOGOF 2mg 96's	0.54
Nicabate® Gum BOGOF 4mg 96's	0.45
Panadol® Rapid caplets Handipak	0.38
Total	3.07

In total, the shelf ready formats have been calculated as adding approximately 3,070kg of additional packaging.

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KPI 6: Document the reporting system to record the amount of non-recyclable packaging types.

Objective	Action and target	Status of action
1. Establish the total weight by type of non recyclable consumer packaging sold per annum into the Australian market.	Using the data information system, calculate and report each of the types and quantities.	Complete. Refer table KPI 6
Where possible, GSK will seek to improve the recycle content of non product contacting packaging materials.	Report the non recyclable packaging as a % of the total packaging.	Complete. Refer table KPI 6

KPI 6A data:

Non recyclable consumer packaging sold per annum into the Australian market

Results (recorded in Tonnes, '000Kg)						
Year	Baseline(04/05)	05/06	06/07	07/08	08/09	09/10
Plastic type 4 (LDPE)	101.6	84.3	75			
Plastic type 5 (PP)	83.8	74.6	78.7 [^]			
Plastic type 6 (PS)	0.08	0.09	0.08 [*]			
Plastic type 7 (Other)	0	0	0			
Non recyclable paper / cardboard (Waxed or high wet strength)	0	0	0			
Composites	1650.4	1567.8	1502			
Total	1835.9	1726.8	1655.8			
% Packaging non recyclable	36.6	34.4	33.4			

^ & *. It should be highlighted that 2 x items were incorrectly reported within the IDAS data base. As a result the total non recyclable tonnage was incorrectly calculated.

Key points from KPI 6 actions:

- 1) In general, non recyclable materials show reductions over baseline for the last 2 years.
- 2) The Panadeine ® brand of Analgesics no longer requires the use of BOPP security film. The change was introduced part way through the plan period & the benefit has not yet been fully realised.
- 3) As detailed in KPI 3, changes to Zovirax® brand of packaging have assisted in the reduction of composite packaging. More changes for additional brands are expected to follow during Year 3 actions.

The major contributors of composite packaging are Toothpaste tubes (ABL barrier laminate tubes), tamper evident / safety closures (eg Child resistant caps) & Alu Foil / PVC blisters used to contain, protect & dispense Analgesic products.

It should be highlighted that limited opportunities exist to develop replacement materials for these types of packaging components, given the regulated industry in which we operate.

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Covenant goal 2: Efficient resource recovery systems for consumer packaging and paper

KPI 16: Document the use of on-site recycling facilities, currently in use and or planned.

Objective	Action and target	Status of action
1. Optimise the on-site collection and recycling of <i>post consumer packaging</i>	Review and or audit sources of post consumer waste onsite	Complete: The review found major recyclable items were being recycled.
	Establish current level of recycling activity	No additional opportunities exist
	Implement actions and timetable to improve collection where possible and address gap	No additional opportunities exist

Key discussion points from KPI 16:

GSKCH Australia recycles a number of post consumer packaging materials onsite. It should be stressed that the items are not recorded separately from existing recycle collection points around the site, supporting recyclable waste generated during manufacturing & packaging processes.

Post consumer packaging items commonly recovered on site & recycled to avoid waste to landfill are:

- Aluminium cans. (Canteen)
- PET bottles (Canteen)
- Paper & Cardboard (Canteen) & (Offices)
- Used toner cartridges (Offices)

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KPI 21: Document the system / process to provide data on amount of packaging directed to recycling and to landfill as a proportion of total waste.

Objective	Action and target	Status of action
1. Monitor and report estimated tonnage of consumer packaging sent to: a) Recycling b) Landfill From onsite collection facilities	Establish current levels Develop plans to drive improvement.	Complete Ongoing. Report additional process each year.

Results (recorded in Tonnes, '000Kg)						
Year	Baseline(04/05)	05/06	06/07	07/08	08/09	09/10
21 A Waste to recycling	122.7	132.3	183.0			
21 B Waste to landfill	297.9	291.6	335.4			
% of waste recycled	29.2	31.2	35.3			

Key discussion points from KPI 21:

Increases in sales volume have impacted waste to landfill. Good progress being made with choice of packaging materials to enable recycling. Improved sorting & wooden pallet recovery have increased onsite recycling rates.

The following items are recycled onsite:

Steel – Drums, lids & ring clamps

Paper & cardboard

Plastics

Wooden pallets

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KPI 22: Document the actions and commitments that demonstrate how the Environmental code of practice for packaging (ECoPP) will be implemented.

Objective	Action and target	Status of action
<p>1. Ensure GSK change systems capture consideration of the Environmental code of practice for packaging (ECoPP).</p>	<p>Review current processes and policies and modify to ensure ECoPP is implemented into standard NPD process.</p> <p>Ensure knowledge transfer is captured during induction of all new employees</p>	<p>Complete. Packaging Development made responsible for ongoing application of ECoPP where industry regulations allow. Mandatory membership of all NPD cross functional project teams in place. Change control process is additional capture point for future NPD & proposed changes.</p> <p>Complete: Induction of all new marketing brand managers includes knowledge transfer of our action plan & NPC commitments via Packaging Development. Additionally, regular reminders are posted to all functions responsible for sourcing of global products.</p>

Key discussion points from KPI 22:

Locally manufactured products, where industry permits adhere to the ECoPP. Globally sourced products are proving to be a little more challenging. Attempts to influence supply site strategies impacting environmental burdens are slowly demanding change. Such changes are likely to benefit all other global customers.

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KPI 26: Document the system, processes or programs implemented that will promote and increase the use of recycled content products in Australia

Objective	Action and target	Status of actions
1. Incorporate “Buy recycled” purchasing into the GSKCH Australia purchasing system.	Investigate membership to the Buy recycled business alliance. If approved, develop action plan and policy to support. Implement policy and purchasing program	Incomplete. No action todate. Refer above comments.

Key discussion points from KPI 26:

Limited opportunities are available for direct contacting materials made with a recycled content. Such materials are prohibited within the highly regulated Pharmaceutical Industry. GSKCH currently purchases secondary & tertiary packaging materials with various levels of recycled content ranging from 0% to 100% depending on the brand, image & competitive products within the marketplace.

Examples of recycled content materials are:

Unit cartons (0 -100%)

BOPP film. (10%)

Shippers (100%)

Limited benefit & opportunities exist within this KPI.

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KPI 27 & 28: Establish baseline data for each of the reporting KPI's (ie 1-26) and report achievements against action plan

Objective	Action and target	Status of actions
1. Agree baseline data and ensure systems are in place to capture details.	Review at quarterly inhouse NPC team meetings. Identify opportunities for reducing impacts on landfill.	Complete. Additional opportunities identified, refer comments below
2. Prepare annual report against agreed and approved action plan	Owners for each KPI will collate information and provide in a timely manner	Complete; Refer this report

Key discussion points from KPI 27 & 28 :

Baseline, Year 1 & Year 2 data are presented for review.

Opportunities & focus on non recyclable materials & composites still exist. Greater use of non metallised polyester laminate cartons is currently underway with new launches planned for 2008.

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KPI 29: GSKCH Australia must demonstrate improvement and achievements against individual targets and milestones

Objective	Action and target	Status of actions
<p>1. Communicate the importance of the NPC to GSKCH Australia</p>	<p>Elevate to the site leadership team, all changes and or negative impacts to the National Packaging Covenant action plan.</p> <p>Ensure mitigation actions are in place to deliver plan.</p> <p>As per KPI 22, ensure sufficient knowledge transfer during the Induction process is carried out with all new employees</p>	<p>Complete. Co-leadership representative sits on the leadership team.</p> <p>Non required todate.</p> <p>As per KPI22.</p>

Key discussion points from KPI 29 :

Structure in place to communicate & elevate issues if & when they arise.