



GRAPHIC PACKAGING

INTERNATIONAL AUSTRALIA PTY LIMITED

Graphic Packaging International (Australia)

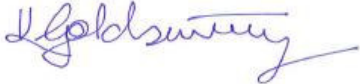


National Packaging Covenant Annual Report 2008-09

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Graphic Packaging International (Australia)

National Packaging Covenant Annual Report 2008-09

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Report No	1	
Date	24 August 2009	

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1 Executive summary

Graphic Packaging International Australia Pty Ltd (Graphic Packaging) continued the successful implementation of its National Packaging Covenant commitments in Year Four of Covenant Mark II (2008–09). The Graphic Packaging achievements resulting in positive environmental outcomes, particularly with respect to packaging, were:

- A reduction in pallet movements of 375 per year, achieved by shifting production to the same city at which the end-product is required and increasing pallet height. This builds on the reduction of 400 pallet movements reported in the 2007–08 annual report.
- The application of the Packaging Development Procedure to hundreds of new and re-designed packaging products.
- Expansion in the use of the mobius loop on packaging.
- Testing of a number of options to reduce material use, including trials to eliminate side flaps on wrap packaging.
- Use of 100 % virgin pine fibre sourced from renewable plantations for the production of Graphic Packaging's board grades. This eliminates the use of hardwood fibre, reduces the chemicals required to obtain the desired characteristics, and improves the recyclability of Graphic Packaging's wet strength board.

2 Introduction

2.1 Purpose of document

The National Packaging Covenant (Covenant) is the voluntary component of a co-regulatory arrangement for managing the environmental impacts of consumer packaging in Australia. It is based on the principles of shared responsibility through product stewardship and delivered through a collaborative approach between key sectors of the packaging supply chain and all spheres of government – Federal, State, Territory and Local.

The first Covenant was launched in August 1999 and ran to June 2005. The current (second) Covenant commenced in July 2005 and is due to run for five years until June 2010. Graphic Packaging International Australia (formerly Riverwood International Australia) submitted its first (three year) Action Plan under the new Covenant agreement in January 2006 for the period July 2005 – June 2008. Graphic Packaging also submitted a new action plan covering the remainder of Covenant Mark II for the period July 2008 – June 2010.

Inclusive of Riverwood reporting, this document is Graphic Packaging's eighth Annual Report to the National Packaging Covenant Council (NPCC), and fourth under the new Covenant agreement. This Annual Report details the performance of Graphic Packaging against its Action Plan for the period from July 2008 to June 2009.

2.2 Company profile

Graphic Packaging International (Australia) Pty Ltd is a wholly owned subsidiary of Graphic Packaging International, for which the head office is in the United States.

Graphic Packaging International Australia Pty Ltd (Graphic Packaging) produces two types of paperboard packaging for the beverage industry:

- Aqua-Kote (High Wet Strength Carrier Board) – designed for use in wet environments
- Pearl-Kote (Medium Wet Strength Carrier Board) – also designed for use in wet environments, but in less demanding conditions than Aqua-Kote applications.

Both packaging materials are fully imported, and are used exclusively in the manufacture of beverage bottle and can packs, primarily fully enclosed cartons and wraps. The imported packaging material is manufactured in the US, and is converted from imported rolled sheet to packs and wraps by converters here in Australia (Carter Holt Harvey, Platypus, Jaypak and Colorpak).

In addition to the sale of packaging products to end-use filling customers, Graphic Packaging also owns and leases machinery to customers for the packing of beverage products. Graphic Packaging-supplied board (Aqua-Kote and Pearl-Kote) and other board (e.g. Visy's Microflute) is folded, and the beverages packed as part of the on-site customer production line. Machinery maintenance and service at customer sites is managed by Graphic Packaging service engineers.

Both Aqua-Kote and Pearl-Kote enjoy high pre-consumer recycling rates (effectively 100 %), and post-consumer recycling rates (recovered as cardboard recycling through kerbside collection systems). The long fibre quality of Graphic Packaging products means they are highly sought after to improve the quality of recycled pulp. Graphic Packaging has received confirmation from Australian recycling companies that its wet strength carrier board is able to be recovered through existing collections systems and is suitable for recycling. Graphic Packaging

has contacted the NPC confirming that its product is collected and recycled with other box board and is therefore likely to have a recycling rate well in excess of 50 %.

A flowchart of the organisational setup, and packaging material flows during the 2008–09 financial year is provided in Figure 2-1.

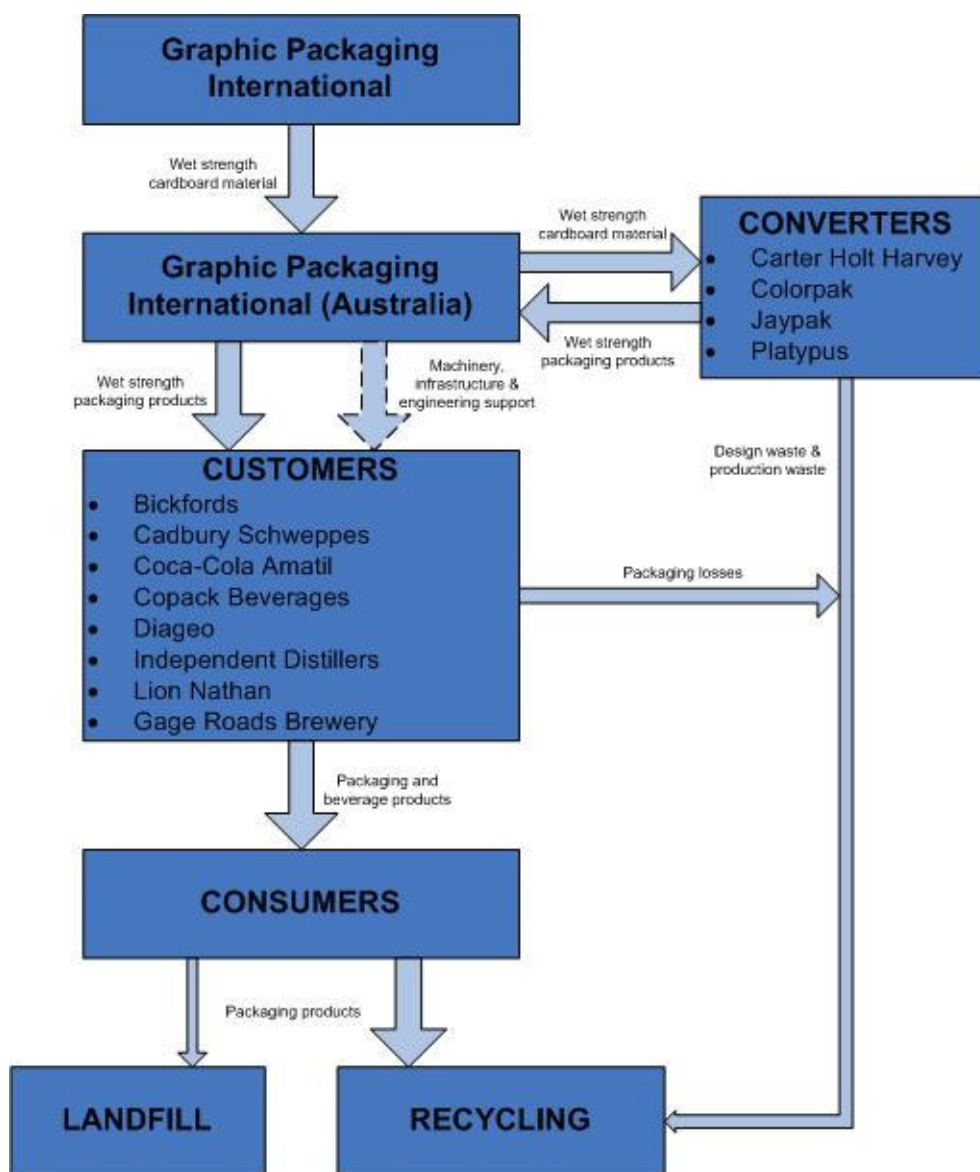


Figure 2-1 Graphic Packaging material packaging flows

2.3 Location in packaging chain

As it relates to Covenant KPI reporting Graphic Packaging occupies a packaging manufacturer position in the packaging chain.

In terms of the Covenant definitions Graphic Packaging undertakes the following activities in the packaging chain:

- supplier of raw materials for consumer packaging
- manufacturer of consumer packaging
- supplier/distributor of consumer packaging.

2.4 Size of company

Revenue: \$48 million turnover during the 2008–09 financial year

Employees: 13 full-time and part-time staff.

Graphic Packaging contributed to the Transitional Arrangements fund at the appropriate level for the 2008–09 financial year.

2.5 Facility locations

Graphic Packaging facilities are located at:

- Burwood, Victoria (head office)
- Burwood, Victoria (equipment servicing)
- Bella Vista, New South Wales (sales and equipment servicing)

Graphic Packaging does not operate any carrier board sheet manufacturing facilities in Australia, as packaging raw material is fully imported. Carrier board is converted locally through agreements with toll converters.

2.6 Appointed Covenant officer

For further information regarding this Covenant Annual Report, or any other National Packaging Covenant related matters, please contact the Graphic Packaging appointed Covenant Officer:

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2.7 Managing Director endorsement

I, Jeff Smith, endorse this Graphic Packaging International (Australia) NPC Annual Report (2008–09), on the Graphic Packaging NPC Action Plan 2008–10.

Jeff Smith
Managing Director
Graphic Packaging International (Australia) Pty Ltd
Melbourne, 2009

3 Annual report July 2008 – June 2009

Information in the table below provides a detailed account of Graphic Packaging’s progress against Actions between 1 July 2008 and 30 June 2009.

Table 3-1 Graphic Packaging Action Plan and description of activity during 2008–09

Action	Performance measure	KPI & Performance Goal	Year	2008–09 activity
Design				
In designing packaging, careful consideration will be given to its possible effect on the environment from manufacturer to end-user, as well as to its recovery and/or final disposal. Package designers should work with all participants in the packaging supply chain to ensure that waste minimisation, secondary market creation and the reduction of litter are taken into consideration.				
1. Apply Graphic Packaging Packaging Development Procedure to new packaging products.	Review design of top three packaging products by volume annually to identify any opportunities to reduce the environmental impact through design.	KPI 22 (Goal 4)	Years 4 & 5	Graphic Packaging designs hundreds of packaging products for their customers every year. Re-design is required for reasons such as inconsistencies in beverage container sizes and new pack configurations. The PDP has been incorporated into the packaging design process of all new products. In accordance with the PDP, material minimisation, in conjunction with product testing are fundamental components of the design process, optimising the efficiency of Graphic Packaging’s products.
2. Report on changes in design, manufacture, marketing and distribution that modify the environmental impacts of packaging, in line with the ECoPP.	Packaging changes identified and quantified (if possible).	KPI 3 (Goal 1)	Years 4 & 5	As a result of its long-standing commitment to reducing the environmental impacts of its packaging products, Graphic Packaging’s products have long been optimised for efficiency. Graphic Packaging has also improved the efficiency of their product transportation (see Action 7 for details), reducing the environmental impacts of packaging products. Graphic Packaging is also currently assessing options to reduce material use. These options are undergoing testing and will be implemented in Year 5 if they meet Graphic Packaging’s quality requirements. One such project is a trial to eliminate side flaps on carton packaging to reduce the material used for each wrap.
3. Work with converters to maintain optimum line efficiencies.	Assess line losses annually and report on activities undertaken to minimise losses.	KPI 3 (Goal 1)	Years 4 & 5	Graphic Packaging has an ongoing program with its customers to minimise line losses and maximise recycling of waste materials.

Action	Performance measure	KPI & Performance Goal	Year	2008–09 activity
Production				
Packaging will be manufactured to minimise the amount of material essential to guarantee the protection, safety and hygiene and shelf life of the product. (Signatories should) report on the source and generation of packaging materials.				
4. Report annually on the energy and water consumed for manufacturing activities at Graphic Packaging facilities.	Energy consumption per tonne of packaging produced and reductions reported on in Annual Reports. Water consumption per tonne of packaging produced determined and reductions reported on in Annual Reports.	KPI 2 (Goal 1)	Years 4 & 5	No changes occurred to energy and water consumption per tonne of packaging produced during 2008–09 at Graphic Packaging's facilities. The use of 100% softwood fibre in the production of Graphic Packaging's board grades has reduced the energy and water consumption for this process and therefore embodied in the final product. Graphic Packaging's board mills also source 70% of their energy requirement from energy recovered from plantation and mill wastes, such as bark, branches and timber offcuts. Refer to KPI 2 in Section 4.1 for more details on 2008–09 activities undertaken in relation to action 4.
5. Recycle at least 95 % of Graphic Packaging packaging production waste generated by packaging converters and on customers packaging lines.	>95 % of packaging waste recycled.	KPI 3 (Goal 1)	Years 4 & 5	Graphic Packaging's converters and customers currently recycle more than 95% of packaging waste generated during the conversion process.
6. Report annually on average post-consumer recycled content in packaging.	Average post-consumer recycled content determined and reported on in Annual Reports.	KPI 5 (Goal 1)	Years 4 & 5	Aqua–Kote and Pearl–Kote contain no post-consumer recycled content at present. However, they do contain approximately 10–15% post-industrial recycled content. Due to the demanding nature of the use of the packaging, only materials with a sufficiently long fibre (i.e. virgin fibre) can be used in the manufacture of the packaging.
Distribution				
Logistics will be designed so as to reduce material and energy consumption to optimal levels whilst maintaining product quality.				
7. Investigate and implement improvements to freight and distribution of Graphic Packaging products.	Assess freight and distribution systems annually and implement any identified improvements.	KPI 3 & 4 (Goal 1)	Years 4 & 5	During 2008–09, changes that save a total of 375 pallet movements annually occurred. The production of layer pads is now taking place in the city of origin of the freight. Pallets shipped from Perth to Adelaide are now stacked four rather than three layers high.

Action	Performance measure	KPI & Performance Goal	Year	2008–09 activity
Disposal				
Packaging should be designed to facilitate its safe and easy disposal by consumers when it reaches the end of its lifecycle. In this context, disposal includes re-use, recycling and other forms of recovery to minimise adverse environmental impacts.				
8. Undertake annual assessments of recyclability of Graphic Packaging packaging products.	Ensure 90 % of packaging products produced by Graphic Packaging are fully recyclable.	KPI 3 (Goal 1)	Years 4 & 5	Graphic Packaging's board grades are now manufactured from 100% softwood pulp, improving the recyclability of Graphic Packaging's products. All timber used in the manufacturing process is sourced from SFI certified forests.
9. Work with the Covenant Secretariat to assure supply chain that wet strength carrier board is fully recyclable.	Contact Covenant Secretariat to ensure wet strength cardboard is designated recyclable in Covenant III.	General Covenant activity	Year 5	Graphic Packaging has consulted with the Covenant Secretariat to ensure wet strength cardboard is designated recyclable in Covenant Mark III. Graphic Packaging received advice that this can be addressed in the new Covenant.
Research				
There is a need to conduct and facilitate research into environmental and lifecycle issues involving the supply, use and recovery of packaging materials. This research should seek, among other things, to identify new uses or markets for recovered materials that are essential for the sustainability of the recycling system. The research should also aim to reduce the amount of packaging and collect data on its use.				
10. Ensure Graphic Packaging is informed of the environmental impacts and carbon accounting issues associated with their packaging products.	Conduct desktop research or attend events on the environmental impacts and carbon accounting associated with the packaging manufacturing industry.	General Covenant activity	Years 4 & 5	Graphic Packaging employees attended a Packaging Council of Australia (PCA) seminar on the topic of sustainability and recycling. Graphic Packaging's packaging advisor also attended the PCA's 'Emissions trading and packaging' function in August 2008 and provided a written briefing to Graphic Packaging on the presentations.
Market development				
Expand markets for recyclable materials and establish frameworks to ensure that new product development using recovered materials is accelerated and that inappropriate barriers to the marketing of products with recycled content are removed.				
11. Maintain the 'Buy Recycled' purchasing program.	Report on recycled content product purchases.	KPI 26 (Goal 4)	Years 4 & 5	Graphic Packaging purchased recycled content office products and materials, wherever reasonably cost competitive products are available, in keeping with the Buy Recycled policy.

Action	Performance measure	KPI & Performance Goal	Year	2008–09 activity
<p>Education</p> <p>It is essential that reliable information be developed and circulated to assist consumers in making informed purchasing choices. The responsibility for establishing and financing a balanced information campaign for the general community and school students must be shared by all those in the packaging supply chain and all governments.</p>				
<p>12. Inform Graphic Packaging staff and customers of NPC related and environmental activities.</p>	<p>Distribute NPC annual report to Graphic Packaging staff and customers.</p>	<p>General Covenant activity</p>	<p>Years 4 & 5</p>	<p>PCA and NPC information and activities are circulated to all Graphic Packaging staff. Staff are also encouraged to promote relevant NPC and PCA information to Graphic Packaging customers.</p> <p>A powerpoint presentation demonstrating the environmental benefits of Graphic Packaging's products was also widely delivered to most of Graphic Packaging's customers and suppliers, raising awareness of the impacts of packaging products.</p>
<p>Labelling</p> <p>Accurate consumer information and labelling on packaging is important to encourage appropriate recycling and/or disposal. To this end, packaging should bear appropriate information either on the packaging itself or on the label.</p>				
<p>13. Assess all packaging to ensure that environmental labelling on products is consistent with the ECoPP (Consumer Information), and where necessary meet the requirements of AS/NZS 14021 – Self declared environmental claims.</p>	<p>Monitor packaging produced by Graphic Packaging for appropriate environmental labelling and report any non-conformances to brand owners.</p>	<p>KPI 3 (Goal 1)</p>	<p>Year 4</p>	<p>Graphic Packaging has expanded the use of the mobius loop, which is now included on the packaging of most customers. Graphic Packaging continues to encourage all customers to use appropriate environmental labelling. Graphic Packaging is also working more closely with a major customer to improve the environmental labelling on their packaging.</p>
<p>Recycling and reprocessing</p> <p>Assist the packaging supply chain by providing data on quantities of packaging recovered and design issues affecting material recoverability. Report on the utilisation of recovered material by secondary markets and the disposal of residual packaging waste to landfill.</p>				
<p>14. Maintain current recycling collections for post-consumer packaging at all Graphic Packaging sites.</p>	<p>Current post-consumer recycling collections maintained at Graphic Packaging facilities.</p>	<p>KPI 16 (Goal 2)</p>	<p>Years 4-5</p>	<p>Recycling collections for paper, cardboard and containers are in place at all Graphic Packaging facilities.</p> <p>Refer to KPI 16 in Section 4.5 for details of recycling collections at Graphic Packaging sites.</p>

Action	Performance measure	KPI & Performance Goal	Year	2008–09 activity
General product stewardship actions				
15. Maintain current high levels for KPIs 2, 5, and 21.	Performance against KPIs 2, 5 and the current (2008–10) Action Plan.	KPI 29 (Goal 5)	Years 4 & 5	Graphic Packaging maintained a high level of performance for KPIs 2, 5 and 21. Refer to Sections 4.1, 4.4 and 4.6 for data for KPI 2, 5 and 21 respectively.
16. Contribute to Covenant funding arrangements as required annually	Contribute funding annually in a timely manner.	General Covenant activity	Years 4 & 5	Financial contribution paid in full for 2008–09.
17. Report annually against this Action Plan.	Annual Reports against this Action Plan submitted by 31 October of each year.	KPI 28 (Goal 5)	Years 4 & 5	Completed for 2008–09 through the submission of this report.
18. Conduct audits of waste to landfill and recycling at Graphic Packaging facilities to fulfil NPC reporting requirements and update KPI 21 data and inform action 7.	Undertake waste (to landfill) and recycling audits at Graphic Packaging facilities by 30 June 2009.	KPI 21 (Goal 4)	Year 4	Minimal waste and recycling are generated from Graphic Packaging's operations. All post manufacturing waste is collected and either recycled locally or bundled and exported for recycling. Local government kerbside garbage and recycling collection services are provided for tea room and office waste. Refer to KPI 28, Section 4.10 for the estimated quantities of packaging sent to recycling and landfill.
19. Demonstrate improvement against Graphic Packaging's KPI targets and ongoing achievement of the Actions described in this Action Plan.	Action Plan 'Actions' and KPI targets achieved.	KPI 29 (Goal 5)	Years 4 & 5	Graphic Packaging maintained a high level of performance across all KPIs.
20. Actively engage in the development of policy for the management of the environmental impacts of packaging beyond June 2010.	Respond to opportunities for signatories to contribute to policy development, for example, attend forums and respond to surveys.	General Covenant activity	Year 5	To be completed in Year 5.

4 Company datasets (KPIs)

All relevant KPI data has also been submitted to the NPC through IDAS reporting.

4.1 KPI 2

KPI 2 measures the resources used to produce packaging, in terms of energy (MJ) and water (kL) per tonne of packaging produced.

This KPI relates to total consumption of energy and water used to produce or convert into packaging, across the whole of the signatory's operations, e.g. all company sites and all aspects of company operations.

Graphic Packaging's packaging material is fully imported, and is converted from imported rolled sheet to packs and wraps by converters here in Australia. Graphic Packaging's local energy and water consumption is limited to that consumed at the three Australian facilities, which is comparatively minimal.

No known changes occurred to energy and water consumption per tonne of packaging produced from 2006–09 for Graphic Packaging's Australian processes. However, the shift from hardwood to the use of 100 % softwood fibre in the production of board grades reduced the energy and water consumption for this process and therefore embodied in Graphic Packaging's final product.

Resource consumption has remained constant throughout the period 2005–09. Energy and water consumption figures for 2008–09 are outlined in Table 4-2 below.

Table 4-2 KPI 2 Data – Estimates of resource consumption 2008–09

Material	Resource consumption 2008–09	
	Energy (MJ/tonne)	Water (kL/tonne)
High wet strength carrier board	194	0.32
Medium wet strength carrier board	190	0.31

4.2 KPI 3

KPI 3 relates to improvements in design, manufacture, marketing and distribution to minimise the environmental impacts of packaging.

The production of Graphic Packaging's board grades now uses 100% virgin softwood pulp sourced from renewable plantations. The use of softwood pulp results in a more recyclable end product compared to old growth forests from which hardwood products are usually sourced.

The use of virgin pulp supports plantation activities, which act as carbon sinks.

The long fibre length produced from virgin fibre also means GPI uses less pulp and fewer chemicals to achieve the 'wet strength' characteristics required of their products.

Graphic Packaging's board mills in the US source 70% of their energy requirements from energy recovered from plantation and mill wastes such as bark, branches and timber offcuts.

This replaces energy produced by conventional fossil fuel sources, reducing Graphic Packaging's greenhouse impact.

4.3 KPI 4

KPI 4 relates to *changes to protection, safety, hygiene, shelf-life or supply chain considerations affecting amount & type of packaging.*

In 2008–09 Graphic Packaging reduced the number of pallet movements by about 375, by moving the production of layer pads from Sydney to Brisbane and increasing the number of layers in pallets transported between Perth and Adelaide from three to four.

4.4 KPI 5

KPI 5 relates to the *average % per annum of post-consumer recycled content in manufactured packaging.*

There is no post-consumer recycled content currently incorporated into Graphic Packaging packaging products. Due to the demanding nature of the use of the packaging, only materials with a sufficiently long fibre (i.e. virgin fibre) can be used in the manufacture of the packaging. However both Aqua-Kote and Pearl-Kote contain 10–15 % post-industrial recycle. This figure has remained constant for the period 2005–09.

Graphic Packaging carrier board is manufactured by mills in the US, with all but one of Graphic Packaging's US based packaging production sites located adjoining a mill. This enables most cutting waste from packaging production to be recovered and returned to the mills for reprocessing.

In addition, Graphic Packaging packages are 100% recyclable through cardboard recycling collections, and due to the high quality (long) fibre, offer valuable input into cardboard recycling processes. Furthermore, Graphic Packaging's use of 100% virgin pine fibre has reduced the use of chemicals needed to provide the 'wet strength' characteristics, making it more readily recycled.

4.5 KPI 16

KPI 16 relates to *signatories providing on-site collection facilities for post-consumer packaging recycling.*

Recycling collections at Graphic Packaging facilities have been consistent across waste streams and facilities for the period 2005–09 as outlined in Table 4-3 below.

Table 4-3 KPI 16 – Recycling collections at Graphic Packaging facilities

Facility type	Recycling collection services at site		
	Cardboard	Office paper	Container
Head office / service centre	✓	✓	✓
Separate service centres	✓	✓	✓

4.6 KPI 21

KPI 21 is the *estimated tonnage of consumer packaging sent (a) for recycling and (b) to landfill from on-site collection facilities.*

Quantities of packaging sent to recycling and landfill have remained constant for the period 2005–09. Table 4-4 presents the estimated quantities of consumer packaging sent for recycling and to landfill from Graphic Packaging facilities during 2008–09. The estimates are based upon the numbers of pickups annually, and data available on compositional audits. The audits were undertaken at offices where similar recycling collection systems to those at Graphic Packaging were in place.

Table 4-4 KPI 21 Data – Estimated packaging sent to recycling and landfill 2008–09

Packaging destination	Total	
	tonnes	%
Packaging recycled	0.47	67 %
Packaging landfilled	0.23	33 %
Total packaging	0.70	100 %

4.7 KPI 22

KPI 22 relates to the *adoption of the ECoPP and development of systems for its implementation.*

During 2006–07, Graphic Packaging’s Packaging Development Procedure, incorporating the requirements of the ECoPP, was developed and adopted into Graphic Packaging’s packaging design processes.

4.8 KPI 26

KPI 26 relates to the *implementation of Buy Recycled purchasing policy / practices.*

During 2007–08 Graphic Packaging developed and adopted a ‘Buy Recycled’ policy which outlines the company’s commitment to reducing the consumption of products and services, as well as the purchasing environmentally friendly products.

In accordance with the ‘Buy Recycled’ policy, Graphic Packaging staff purchase recycled content office products and materials, wherever reasonably cost competitive products are available. Graphic Packaging also purchases Fairtrade coffee, in recognition of the sustainable production methods of this product.

4.9 KPI 27

KPI 27 relates to the *establishment of baseline performance data.*

This KPI was responded to in Graphic Packaging’s NPC Action Plan 2005–08.

4.10 KPI 28

KPI 28 requires *annual reporting against the Action Plan*.

This KPI has been addressed through this report against the Graphic Packaging NPC Action Plan 2008–10.

4.11 KPI 29

KPI 29 relates to *demonstrated improvement and achievements of milestones in Action Plan*.

This KPI has been addressed through this report against the Graphic Packaging NPC Action Plan 2008–10.