

H.A.G

H.A.G. Import Corporation (Australia) Pty Ltd



doozie
gifts for fun

KROSNO RITZENHOFF

NATIONAL PACKAGING COVENANT

ANNUAL REPORT - 2008

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EXECUTIVE SUMMARY

As a leading homewares brand owner, H.A.G. Import Corpn (Australia) Pty. Ltd., understands the importance of environmentally responsible packaging and are committed to conducting our business activities with respect to the environment & the product stewardship principles.

When developing new product lines, H.A.G. has actively worked to reduce environmental impacts of associated packaging, with respect to also maintaining high standards for our products.

As signatory to the National Packaging Covenant, H.A.G. has implemented systems and procedures to capture the data required for annual reporting against Key Performance Indicators (KPIs) relevant to 'brand owners' and have produced this annual report based on results from 1st January 2008 to 30th June 2008.

With a new distribution centre under construction for opening early 2009, incorporating improved recycling facilities, H.A.G. is dedicated and continues to encourage supply chain conformance with both the National Packaging Covenant (NPC) and the Environmental Code of Practice for Packaging (ECOPP) in all future packaging decision-making process.

COMPANY PROFILE

H.A.G. Import Corporation (Australia) Pty Ltd (H.A.G.) is a family company that has been selling homewares in Australia for over 35 years. H.A.G. is the sole Australian importer and distributor for the brand names Maxwell & Williams, Casa Domani, Doozie, Krosno and Ritzenhoff.

Quality presentation and gifting are essential to the H.A.G. business model, with around 80% of over 4,500 SKU's involving gift boxes, all of which are sourced by the individual manufacturers.

Product protection is also essential given H.A.G.'s extensive variety of homewares. For example, our largest customers in Australia are Myer, House Stores (Franchise Group) and David Jones. These three major customers are the biggest aspirational homewares retailers in Australia, and in each, Maxwell & Williams is the biggest casual lifestyle brand and the biggest tabletop supplier.

All H.A.G. products are imported as finished goods and shipped to retailers / wholesalers from our warehouse in Altona, near Melbourne. A limited amount of repacking occurs at the site; H.A.G.'s operations therefore have limited ability to influence product design and packaging considerations of our suppliers.

A new warehouse / distribution centre is planned to open in early 2009, 250 metres north of our current site in Altona. The new facility will allow us to implement a broader range of recycling and waste management activities.

COVENANT SUPPORT AND COMMITMENTS

As a signatory to the National Packaging Covenant, H.A.G. Import Corporation (Australia) Pty Ltd fully support and are committed to conducting our business activities with respect to the environment & the product stewardship principles.

Under the requirements of the Covenant, H.A.G. is identified as a 'brand owner' in the packaging supply chain. As a result there are relevant key performance indicators (KPIs) which H.A.G. is required to report on. As commitment to the Covenant, H.A.G. has addressed these KPIs and reported the results to date.

As 'brand owners' H.A.G. source finished products from over 50 resources on a regular basis, with packaging being a major impact on the condition in which the product arrives into Australia and its movement through the supply chain before reaching the consumers hands.

With the business requirement, supply chain practicality and commitment to the Covenant, H.A.G. will continue to encourage supply chain conformance with the Environmental Code of Practice for Packaging (ECoPP) in packaging decision-making process for any new packaging or reviews of existing packaging, ensuring environmentally responsible packaging for the future.

NATIONAL PACKAGING COVENANT CONTACT OFFICER

Our appointed National Packaging Covenant contact person for H.A.G. Import Corporation (Australia) Pty Ltd is Mr. Terry Fitzell (General Manager). Mr Fitzell can be contacted at:

- Phone: (03) 9318-0466
- Email: terry@hag.com.au

PACKAGING IN THE H.A.G. SUPPLY CHAIN

There are 3 main sources of packaging in the H.A.G. supply chain.

- The product's own item packaging
- Packaging used by the supplier & manufacturer to deliver the product to Australia
- Packaging used by H.A.G. to deliver the product to retail customers

A high portion of the products are sold and despatched using the same packaging in which it arrived, therefore utilising all purposes through the distribution from manufacturer to retailers, with only the shelf-ready packaging being available at retail for the end consumer.

There are limited repacking of products at HAG facility. In this situation, most incoming cartons are reused to repack other products for despatch to retail customers.

While current recycling activity is limited to cardboard, plans for a broader range of recycling are being implemented when relocation to the new premise is completed. These planned recycling activities are outlined in our Covenant commitments. In addition, the new facility will use three classes of reusable shipping containers; all other master cartons will be crushed and recycled.

TYPES OF PACKAGING MATERIALS USED

H.A.G. and our suppliers use the following packaging materials in the manufacturing and distribution process:

- Paperboard primary and secondary boxes
- Cardboard outer boxes
- Plastic primary wraps (limited items only , when sold separately)
- Wood pallets
- Shrink wrap (LLDPE & PP)
- Acetate (limited items only)
- Foam (used in individual item packaging for several lines in the Ritzenhoff brand)

ANNUAL REPORT & KPI RESULTS

Presented in this section are the Key Performance Indicators (KPIs) to which we are required to report against as a 'brand owner'.

The key challenge experienced in providing performance data is the significant number of individual inventory for which baseline data was required to be established and the considerable resource dedicated to implementing data collection procedures and information technology system to capture the data and support the reporting requirements.

Despite the challenges, H.A.G. is committed to improving data collection and analysis techniques in attempt to assist the Covenant & co-signatories in minimising the environmental impacts of packaging.

KPI 1. Total weight of consumer packaging (domestic & imported) sold per annum into the Australian market and the total weight of products packaged.

1A – tonnes of packaging sold into the Australian market by material type by source (local & imported)

1B – tonnes of packaged product sold into the Australian market

1C – ratio of product to packaging (by weight)

Action & performance measures:

Data was generated by measuring individual item weight and packaging weight by material of all product lines and combining this with data on unit sales between 1st January 2008 to 30th June 2008.

H.A.G. has established:

- baseline data for all material types across all product lines by sales volume.
- baseline data for all non-recyclable material types across the full product line by sales volume.

In attempt to reach targets set out against the Action Plan, H.A.G. has not only established baseline data for the top 30% of the product line, but has established data for all product lines across the brands owned.

Target & Timeline:

H.A.G is committed to continue the improvements in capturing data on current and new product lines throughout the ongoing annual reporting requirements of the Covenant.

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

3A – examples of improvements made to packaging and their effect on minimizing the environmental impacts of the packaging

3B- quantitative details of substantial improvements made to packaging where available e.g. tones of packaging avoided, increased recyclable, etc.

Action & performance measures:

The product's primary packaging is paperboard and cardboard, which are recyclable and readily collected in most, if not, all domestic collection and commercial systems.

The packaging used by the supplier & manufacturer to deliver the products to Australia is also being re-used to despatch to retail customers.

To assist in minimising the impact of packaging, H.A.G. has stipulated to all suppliers to source only recyclable packaging materials. All packaging of non-recyclable materials, including foam & plastics are to be seized immediately.

In addition, shipping carton sizes have been revised for easy handling and distribution, therefore reducing the need to repack products and use extra unnecessary protective packaging.

As an ongoing commitment to the Covenant & the environment, H.A.G is investigating the possible usage of biodegradable packaging material and printing material for its primary packaging.

Results may be available for the next annual report.

Target & Timeline:

H.A.G. is committed to continue improvements made to packaging & where possible, reduce imported non-recyclable packaging throughout the annual reporting requirements of the Covenant.

Quantitative details of improvement will be provided, where available.

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

4A – changes to protection, safety, hygiene, shelf life or supply chain considerations affecting amount & type of packaging used with examples, and their associated impact on the amounts and types of packaging used.

4B - Quantitative details of changes should be provided of substantial changes where possible eg additional tonnes of packaging required, changes to materials used etc.

Action & performance measures:

As mentioned in KPI 3, H.A.G. has stipulated to all suppliers to source only recyclable packaging materials. All packaging of non-recyclable materials, including foam & plastics are to be seized immediately.

In addition, shipping carton sizes have been revised for easy handling and distribution, therefore reducing the need to repack products and use extra unnecessary protective packaging.

Target & Timeline:

H.A.G. is committed to ongoing improvement and reduction in amount and type of packaging used.

KPI 6. Total weight, by type, of “non-recyclable” consumer packaging sold per annum into the Australian market.

6A – tonnage of “non-recyclable” packaging sold by material type and total

6B – total ‘non-recyclable’ packaging as a % of total packaging sold

Action & performance measures:

The data captured and generated for KPI 1 provides the necessary information required for reporting against KPI 6.

For June 2008, H.A.G. has successfully reduced the total use of non-recyclable consumer packaging to below 2.5% of total packaging sold.

Target & Timeline:

H.A.G is committed to reducing the use of ‘non-recyclable’ materials & continuing the improvements in capturing data on current and new product lines throughout the ongoing annual reporting requirements of the Covenant.

KPI 16. Percentage of signatories providing recycling collection facilities for post-consumer packaging generated on-site.

Action & performance measures:

On-site recycling facilities are currently provided for cardboard and office paper.

With the completion of our new distribution centre at Altona, further substantial on-site recycling facilities for cardboard, office paper, aluminium cans, glass bottles mixed paper, toner cartridges, wooden pallets, and plastic film will be provided.

With the usage of electronic communication technology, inter-company correspondences via paper documents have been reduced.

H.A.G. encourages staff to think ‘green’ before printing.

Target & Timeline:

H.A.G. will maintain and expand the operation of in-house recycling systems as an on-going commitment.

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

Action & performance measures:

With the new H.A.G. site still under construction, limited facilities and action can be achieved for this annual report.

H.A.G. is currently commencing waste audits to

- coordinate with service providers to estimate recycling of packaging & other materials from on-site collection facilities for the new distribution centre.
- coordinate with waste management service providers to separately break out waste to landfill on invoices. Note that that amount will not be limited to packaging.
- estimate recycling and disposal of packaging from proposed on-site collection facilities and report against KPI 21

Target & Timeline:

H.A.G. is committed to coordinating with service providers to establish responsible recycling and disposal of packaging and data collection for the purpose of future annual reporting.

KPI 22. Number of signatories who have formally adopted the ECoPP and developed systems for its implementation.

22A – report whether ECoPP has been formally adopted

22B – report actions and commitments that demonstrate that the ECoPP has been implemented

Action & performance measures:

Few, if any, significant changes are anticipated to the current packaging mix. In addition, H.A.G. sources products from over 50 factories on a regular basis, most of which are located in China. Our principal packaging suppliers are therefore located overseas, with all H.A.G. products imported into the Australian market as finished goods. That said, H.A.G. will encourage supply chain conformance with the ECoPP in our packaging decision-making process for any new packaging or reviews of existing packaging.

A review conducted for H.A.G. by consultancy MS2 has determined that overall; H.A.G. is particularly well placed under the ECoPP across most product lines given the predominance of paperboard gift boxes and cardboard outer cartons and their associated recyclability in domestic and commercial recycling programs. Proposed changes are few and not likely to trigger the ECoPP's threshold for new packaging or reviews of existing packaging. Several product lines with materials viewed as non-recyclable under the Covenant have been or are being discontinued. Propensity to become litter would also be low given H.A.G.'s emphasis on homewares and use of gift boxes, as well as higher value of most products.

Target & Timeline:

H.A.G. will continue to conform to the ECoPP environmental consideration and associated guidelines during future packaging decision-making process for any new packaging or reviews of existing packaging.

KPI 26. Implementation of Buy Recycled purchasing policy or practices.

26A – implementation of a Buy Recycled purchasing policy or practices

26B – provision of details and quantitative data where available

Action & performance measures:

H.A.G. would want to ensure that any 'Buy Recycled' policy would be enforceable and verifiable, which we could not guarantee to our satisfaction given our current mix of overseas suppliers. We note that our packaging mix is predominantly paperboard and cardboard, both of which have high levels of recycled content globally.

Target & Timeline:

H.A.G. aim to obtain supplier declarations on recycled content from the top 30% of our product lines, by sales volume, for 2009 annual reporting.

KPI 27. Establishment of baseline performance data.

27A – report indicative baseline data (where available), including qualifiers & assumptions, by 30 November 2005.

27B - report established baseline data by 31 October 2006

Action & performance measures:

H.A.G. has recently become a signatory to the Covenant. This first annual report established baseline data from 1st January 2008 to 30th June 2008.

Target & Timeline:

H.A.G. will continue to use the new system and procedure to capture further data for future annual reporting.

KPI 28. Annual Reporting against Action Plan.

Action & performance measures:

H.A.G. has dedicated resource, time and money to the implementation of new systems and procedures to enable the successful Annual Reporting against the Action Plan.

Target & Timeline:

This Annual Report covers the requirements set out for this KPI and each KPI reporting required by a ‘brand owner’.

H.A.G. will continue to satisfy the reporting requirements of the Covenant.

KPI 29. Demonstrated improvement and achievements against individual targets & milestones.

Action & performance measures:

H.A.G. has demonstrated improvements & in most case, has exceeded the objectives set out in the Action Plan by the target date.

H.A.G. has only just commenced the journey to reducing the impact of consumer packaging and promote the general principles of environmentally responsible packaging.

Target & Timeline:

H.A.G will continue to increase recycling initiatives for reporting in the next annual report.