



Tetra Pak Sustainability Update 2014



Our value chain

OUR COMPANY

Our founders made it clear that a package should save more than it costs. To achieve this, we must work to continuously improve the efficiency of our operations and to ensure that our employees feel engaged, empowered and motivated to meet our present and future challenges.

Our approach

[Read more P3](#)

Our employees

[Read more P28](#)

Environmental excellence

[Read more P41](#)



SUPPLIERS

All our suppliers are expected to meet, if not exceed, our customers' expectations for quality, cost and timely delivery, as well as our own environmental and social standards.

Our suppliers

[Read more P37](#)

Responsible sourcing

[Read more P61](#)

CONSUMERS

Our food packaging and processing solutions make food safe and available for consumers everywhere. Many of our product innovations are made in response to consumers' increasing demands for lower environmental impact and better recycling solutions.

Food availability

[Read more P20](#)

Recycling

[Read more P48](#)



CUSTOMERS

Together with our customers, we aim to make food safe and available, everywhere. We have the insight and expertise to deliver superior performance, competitive advantage, market opportunities along the whole food value chain, value for money and peace of mind for our customers.

Food protection

[Read more P17](#)

Packaging design

[Read more P70](#)

Equipment innovation

[Read more P72](#)

SOCIETY

By playing an active part in the communities in which we operate, we create shared value in terms of reducing food waste, improved access to nutrition, supplier development and lower environmental impact.

Food affordability

[Read more P25](#)

Our communities

[Read more P38](#)



Our approach

Every day, our packages are used by hundreds of millions of people all around the world.

Our starting point is that every one of our packages should save more than it costs. When food is packaged, it can be handled, transported and made available to consumers everywhere in a safe, efficient and affordable way. That is our vision.

23,540

Tetra Pak employees worldwide



CEO reflections

Our President and CEO, Dennis Jönsson, looks back on the progress we have made towards meeting our ambitions during 2013, and highlights the successes and the challenges on our journey to protect food, people and futures.

About us

Tetra Pak is the world's leading food processing and packaging solutions company. Working closely with our customers and suppliers, our 23,540 employees provide safe, innovative and environmentally sustainable products and services to achieve our vision: to make food safe and available, everywhere.

Our sustainability strategy

To achieve our vision, we need to operate as sustainably as possible. That requires a collaborative approach with other stakeholders encompassing good corporate citizenship, profitable growth, responsible leadership within and beyond our sector, and environmental sustainability all along the value chain.

Governance

Our company is guided by our vision and mission, which require us to behave ethically, in adherence to our Corporate Governance Framework and the policies and codes that underpin it, abide by relevant regulations and legislation, and live our Core Values every day.

CEO reflections

As the world's leading provider of food processing and packaging solutions, our business is built on our ability to provide safe, secure and sustainable nourishment to consumers worldwide. Success requires continuous innovation; finding new ways to meet the ever-shifting expectations of the market, and the increasingly diverse needs of our customers, in ways that fully address our social and environmental responsibilities.

PROTECTING WHAT'S GOOD

The Tetra Pak brand is built on a promise: to PROTECT WHAT'S GOOD. Quite clearly, that's about protecting food. But it goes further. It's also about protecting people: our employees, our neighbours and society as a whole. And it's about protecting futures: by developing the products and services that will support the future business growth of our customers, and by acting and operating in ways that best protect the future of our environment.

This Sustainability Update reports on the progress we have made towards meeting this promise during 2013, and highlights the successes and the challenges on our journey to protect food, people and futures.

CREATING VALUE STARTS WITH MEETING NEEDS

The rapid development and urbanisation of emerging economies, global population growth and an expanding middle class present both challenges and opportunities for Tetra Pak. The challenge: developing products and technologies that will allow our customers to address diverse and shifting needs and meet rising expectations around health, nutrition and food security. The opportunity: succeeding in the challenge.

And the same is true of the world's sharpening focus on climate change, on conservation and on the finite availability of natural resources. Society expects the manufacturing sector to do more with less, which means developing the technologies and materials that will drive efficiency, reduce our consumption of finite resources, cut waste and lower environmental footprints. It's an expectation we are determined to exceed, not only because it supports our mandate to operate, but also because it represents a significant channel of growth for our business.

TECHNOLOGICAL INNOVATION

Indeed, throughout this report, you will find examples of projects and initiatives introduced in recent years that are now helping our customers enhance their own environmental performance. And we have others waiting in the wings: like a new sterilisation technology which, after several years of development, recently completed successful field trials with a customer in Europe.

The process uses low-voltage electron beams to sterilise packaging material prior to filling, replacing the hydrogen peroxide chemical systems that have been the essence of carton sterilisation since the 1950s. In the 70 million pack trial, there was no loss of sterile performance, but a one-third reduction in energy consumption. Extended tests are now under way and we expect to bring the first e-machines to market in 2015.



RESOURCE EFFICIENCY

But it is not only on the machine technology front that we are looking for innovative solutions. We strongly believe that the most effective way to ensure a sustainable future for the packaging industry is to increase our use of renewable resources. Our ambition is to develop a package made entirely from renewable materials; compared with today, when renewable material accounts for around 70% of a carton, averaged across our entire portfolio.

We are making visible progress towards that goal. In 2011, we introduced bio-based caps, made of plastic derived from sugar cane, and last year these featured on more than 1 billion of the Tetra Pak cartons sold worldwide. And earlier this year, we took another step forward when we announced that all of the packages we produce in Brazil will shortly be using bio-based plastic film as the coating on the paperboard; a total of more than 13 billion packs a year. Other markets will follow.

And alongside this, we continued our efforts to ensure responsible forest management, expanding our use of paperboard certified by the Forest Stewardship Council™ from 38% in 2012 to 41% in 2013. Last year, a total of 32 billion Tetra Pak packages bearing the FSC™ label reached consumers, 5 billion more than in 2012, raising further awareness of a scheme that we believe is helping to address a critical environmental need in ways that are also socially and economically viable.

NEW BUSINESS MODELS AND IMPROVED ACCESS TO NUTRITION

FSC™ certification is only one of several areas in which we have made good progress when it comes to driving our wider agenda of corporate responsibility. For example, through the use of alternative business models and unconventional distribution channels, we are helping to bring safe, nutritious food to an ever-wider number of consumers with relatively little purchasing power, often living in remote locations.

CEO reflections

During 2013, through the public–private partnerships fostered by our Food for Development Office, we extended our participation in school feeding programmes, supporting the launch of several new schemes around the world. Some 64 million school children received milk or other nutritional drinks in Tetra Pak cartons during 2013, providing them with better nutrition, spurring higher levels of school attendance and creating the catalyst for social advancement.

We also continued to expand our Dairy Hub concept, linking smallholder farmers with dairy producers in places such as Kenya, Bangladesh and Nicaragua to help improve milk quality, dairy yield and farmers' livelihoods.

And we saw further success with our Deeper in the Pyramid activities, helping to develop nutritious, safe, quality packaged beverages that meet the specific needs of low-income households living in remote areas; with several new products introduced during 2013.

TAKING RESPONSIBILITY WITHIN OUR VALUE CHAIN

Our approach to sustainability is quite simple – we are part of a value chain in which our activities have an impact both in terms of delivering benefits and consuming resources. We must therefore take active responsibility to ensure that we encompass the whole of the value chain in our decisions and our actions.

Our 2020 climate goal is helping to make that happen, looking not only at Tetra Pak's own operations, but covering the entire value chain, from the production of base materials to the recycling of used cartons. During the past two years, we have put considerable effort into developing robust systems and methods to reliably collect this data, and our 2013 results, which have been audited and validated by independent external consultants, show we are making steady progress towards the targets we have set for 2020. It will not be an easy journey, but we are confident we will reach our destination.

GOOD GOVERNANCE AND STRONG CORE VALUES

Since 2004, we have been a signatory to the United Nations Global Compact, and we are committed to ensuring that its 10 principles on environment, labour, anti-corruption and human rights are embedded across all of our operations. In this regard, we have a well-defined corporate governance framework that guides how we go about our business, including a Code of Business Conduct that sets out the rules of business behaviour and ethical standards we require as a company.

We believe such things are important. As are strong, shared core values; to steer our decisions and actions, providing the foundation for unity, responsibility and integrity across all parts of our organisation.

SHARING OUR PROGRESS

In summary, our 2014 Communication on Progress openly explains how we are delivering on our promise to PROTECT WHAT'S GOOD and, I hope, provides useful insight into the innovation, determination and professionalism of the 23,540 Tetra Pak employees who are helping to make food safe and available, everywhere.

Thank you for taking the time to read this report. I hope you find it useful and I would welcome any comments or feedback you may have.

Dennis Jönsson, President and CEO, Tetra Pak

About us

Tetra Pak is the world's leading food processing and packaging solutions company. Working closely with our customers and suppliers, we provide safe, innovative and environmentally sustainable products and services to make food safe and available, everywhere.

OUR VISION

We commit to making food safe and available, everywhere.

OUR MISSION

We work for, and with, our customers to provide preferred processing and packaging solutions for food.

We apply our commitment to innovation, our understanding of consumer needs and our relationships with suppliers to deliver these solutions, wherever and whenever food is consumed.

We believe in responsible industry leadership, creating profitable growth in harmony with environmental sustainability and good corporate citizenship.

WHO WE ARE

Tetra Pak is one of three companies that form the Tetra Laval Group, a private group founded in Sweden in 1951. We are headquartered in Lausanne, Switzerland.

We provide complete solutions for the processing, packaging and distribution of food products, including dairy products, juices and nectars, ice cream, cheese, dry foods, fruits, vegetables and pet food.

Our customers – a variety of international, regional and local companies from more than 170 countries – come primarily from the dairy and prepared food sectors. Our largest markets are China, Brazil, the United States and the Russian Federation.

For more information about Tetra Pak, please visit tetrapak.com.

TOP 10 MARKETS

PACKAGING*	PROCESSING
China	USA
Brazil	China
USA	Brazil
Russian Federation	New Zealand
Mexico	Russian Federation
Thailand	The Netherlands
Japan	Germany
Spain	France
Pakistan	Argentina
Vietnam	Austria

* Based on nominal packs sold

FACTS AND FIGURES

Total employees	23,540
Number of Tetra Pak packages sold (million)	178,412
Amount of product sold in Tetra Pak packages (million litres)	77,975
Net sales (€)	11.1 bn
Countries where Tetra Pak packages are available	>170
Market companies	36
Sales offices	78
Production plants for packaging materials and closures	40

FURTHER INFORMATION

Tetrapak.com

170

Countries where Tetra Pak packages are available



Our sustainability strategy

Against a backdrop of a rising global population, emerging economies, climate change and finite natural resources, our combined approach encompasses good corporate governance and citizenship, profitable growth, responsible leadership and environmental sustainability along our value chain. Through innovation, our understanding of consumer needs, and our collaborative relationships with customers and suppliers, as well as governments, international development agencies, NGOs and other partners, we deliver solutions that make food safe and available, everywhere.

INDUSTRY CONTEXT

To ensure we run our business successfully and meet the evolving needs and preferences of our customers, we take great care to understand the trends and challenges affecting our industry:

- **Demographics:** By 2020, there will be almost 1 billion more people on the planet than there were in 2010 and by 2050, the world's population will reach about 9 billion. Coupled with increasing life expectancy and urbanisation, this is increasing the demand for packaged food and nutrition.
- **The economy:** Globalisation and economic development are raising consumer expectations at every level, everywhere. Emerging nations such as Brazil, Russia, India and China are joining the top global economies and by 2020, there will be almost 1 billion more middle-class consumers. Yet poverty and malnutrition remain pressing problems that still need to be addressed: almost 1 billion people go to bed hungry every night because they cannot afford to buy food.
- **The environment:** Dwindling natural resources and the effects of climate change, coupled with tighter environmental regulations, are driving businesses to become more energy- and resource-efficient. The development of more sustainable technologies – to mitigate against as well as adapt to such environmental challenges – can be seen in every sector.
- **Regulations and expectations from society at large:** We follow regulations and legislation, and any changes that affect us, our industry and our business partners, very closely. We also understand that good governance is essential to ensuring a sustainable business, delivering on our brand promise and safeguarding our reputation. By ensuring and demonstrating good corporate governance and citizenship wherever we operate, we seek to meet or exceed expectations from society at large.

Our continued success depends on us understanding, adapting to and addressing these challenges, seeking to lead by example and inspiring our many stakeholders to join us and find effective solutions together.

OUR BRAND PROMISE

The Tetra Pak brand is founded on a promise to PROTECT WHAT'S GOOD.

Fundamentally, that's about protecting the food we eat and drink – the very core of our business – and ensuring a secure, reliable and widespread supply of food.

But it's also about protecting the health and lifestyles of people, whether it's our employees, consumers or the communities in which we operate.

And it is about protecting futures, by minimising the impact on the environment across our value chain and by developing packaging and processing solutions that support the growth and success of our customers.

STRATEGY 2020

Our Strategy 2020 to deliver profitable growth, sustainably, is built around a 10-year business plan. Launched in 2010, it is designed to ensure we are best placed to overcome the challenges and seize the opportunities that arise in our dynamic industry.

Our four strategic priorities are:



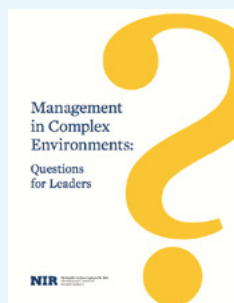
- **Growth:** Grow in all markets
- **Innovation:** Accelerate value-driven innovation
- **Environment:** Drive environmental excellence
- **Performance:** Strengthen operational performance

Strategy 2020 puts the environment at the heart of our business agenda. This includes clear and stretching goals for minimising the impact of our operations on the world's climate, increasing our recycling rate and developing new, more sustainable products.



Our sustainability strategy

OPERATING IN COMPLEX ENVIRONMENTS



Tetra Laval, Tetra Pak and the work our Food for Development Office is doing to make safe food available are featured as an example of how to navigate in complex markets in a new book, *Management in Complex Environments*.

The book examines why companies operating in complex markets need to understand the economic, political and conflict dynamics, and how this insight

and acknowledgement of the risks and challenges can help businesses to grow while contributing to stability and development. One of the conclusions drawn from the Tetra Laval case study states:

“Decades before the term came into common usage, Tetra Pak learned that ‘shared value’ needed to be created for the company and the developing countries in which it did business in order for it to succeed.”

The book is an initiative by the International Council of Swedish Industry (NIR) and is largely funded through the Swedish International Development Cooperation Agency (Sida).



- **Improving food availability in emerging communities:** The FfDO also has broad experience of working with a variety of partners to initiate, promote and support school feeding programmes across the globe. Working with our customers, we’re also building on this experience to develop new business models that make nutritious food affordable for consumers on lower incomes.

Opportunities to create and sustain complex value chains need to be reliably, systematically and proactively pursued as business opportunities for Tetra Pak. Yet these need to be undertaken together with a range of governmental, intergovernmental, civil society and private sector partners.

Therefore, partnerships and collaboration with stakeholders across and beyond our industry are crucial to implementing our strategy, reaching our goals and making a positive difference in society.

OUR VALUE CHAIN APPROACH

We fundamentally believe that as a forward-looking and responsible company, our approach to sustainability needs to reach beyond our own business and encompass our entire value chain. Tetra Pak realises that there are interdependencies across the chain and that being a truly sustainable business means making all these elements more sustainable – not just our own operations. Examples of this are our climate goal, which is set across our value chain (including our suppliers’ work with climate emissions) and our contribution to the efficiency of our products and services at our customers’ sites.

As we work towards achieving our own ambitions, and supporting our customers in achieving theirs, we actively promote the following positive changes in many areas:

- **Packaging materials made from renewable sources:** We are committed to ensuring we have a sustainable supply of paperboard for our packages by promoting Forest Stewardship Council™ (FSC™) certification, a globally recognised marque for responsible forest management. We also offer customers and consumers the option of using bio-based caps, helping stimulate demand for renewable plastics and taking us closer towards our ambition of a fully renewable package.
- **Helping customers improve operational efficiency:** Our technical knowledge and innovations in processing and packaging equipment support our customers’ efforts to reduce costs, improve efficiency and lower the environmental impacts of their operations.
- **Strengthening the supply chain:** The Dairy Hub model – developed by Tetra Pak and our pioneering Food for Development Office (FfDO) – helps customers in developing countries create strong links with smallholder dairy farmers on terms that are favourable for both parties and secure access to locally produced quality milk.

Stakeholder engagement

Our integrated value chain approach means collaborating with others to develop common solutions and create value together. We actively engage with a broad range of stakeholders at both global and local levels, and seek to align with the knowledge, networks and credibility of strategic partners to support our business and sustainability objectives, and make a positive difference to the communities in which we work.

ENGAGEMENT METHODS

We have a structured and consistent way of gathering feedback from customers and employees, and make sure this knowledge feeds into our risk management and decision-making processes. Our engagement with them, and a number of other key stakeholder groups on which our continued success depends, is summarised below.

By respecting their interests, listening to their concerns, and being open and honest in our communication with them, we can find new ways to reduce our impacts and make our business more competitive and sustainable.

STAKEHOLDER GROUP	ENGAGEMENT METHODS	EXAMPLES
Customers	<ul style="list-style-type: none"> • Ongoing dialogue • Annual survey • Partnerships to develop the food value chain 	<ul style="list-style-type: none"> • Annual Customer Satisfaction survey helps us to keep our performance above expectations. • Dairy Hubs and school feeding programmes through our Food for Development Office. • Deeper in the Pyramid business with a sustainable triple-bottom-line providing affordable, attractive and available products.
Employees	<ul style="list-style-type: none"> • Company-wide survey • Learning and development opportunities 	<ul style="list-style-type: none"> • Latest Employee Engagement survey had an 87% response and an employee engagement index of 83%. • We run mentoring and Leadership Acceleration programmes, and have rolled out e-learning on the Code of Business Conduct.
Governmental organisations	<ul style="list-style-type: none"> • Public-private partnerships 	<ul style="list-style-type: none"> • Long-standing collaborations with governments, ministries and departments to support national school feeding programmes around the world, through our Food for Development Office.
Non-governmental organisations (NGOs)	<ul style="list-style-type: none"> • Issue-specific partnerships and projects 	<ul style="list-style-type: none"> • Global efforts with WWF to increase the uptake of Forest Stewardship Council™ (FSC™) certified forest management to protect the world's forests. • Partnerships with the GCNF, GAIN and SUN on activities to reduce malnutrition among populations at risk. • Members of the Corporate Consultative Group of the World Resources Institute (WRI).
Multi-stakeholder initiatives	<ul style="list-style-type: none"> • Global programmes 	<ul style="list-style-type: none"> • Active supporters and signatories of the United Nations Global Compact and United Nations Caring For Climate.
Industry partners	<ul style="list-style-type: none"> • Awareness campaigns • Methodology development and standard setting • Public policy development • Conferences and seminars 	<ul style="list-style-type: none"> • Support for CEMPRE and similar industry associations in driving collection and recycling in Latin America. • Helping to define responsible practices in the mining, production and purchasing of aluminium through participation in the Aluminium Stewardship Initiative. • Contributing to an industry-wide methodology to measure our sector's water footprint through the Alliance for Beverage Cartons and the Environment. • Sponsoring and co-hosting the 'Children and Milk' session at the IDF's 2013 World Dairy Summit in Japan.
Suppliers	<ul style="list-style-type: none"> • Supplier accreditation process • Supply chain workshops 	<ul style="list-style-type: none"> • All suppliers are advised of our objectives and performance expectations, and must sign our Business Code of Conduct for Suppliers.
Consumers	<ul style="list-style-type: none"> • Education programmes and awareness campaigns 	<ul style="list-style-type: none"> • Information campaigns about food safety and nutrition, such as our Loose Milk Conversion Initiative. • Environment education programmes about recycling and renewable materials, such as The Pack that Grows Back and Little Things That Renew Nature.

Stakeholder engagement

OUR KEY PARTNERS

Alliance for Beverage Cartons and the Environment (ACE):

We are members of ACE, a European platform that enables beverage carton manufacturers and their paperboard suppliers to benchmark and profile cartons as renewable, recyclable and low-carbon packaging solutions. ACE has contributed to increased industry-wide efforts to measure our sector's water footprint.

Aluminium Stewardship Initiative (ASI): Tetra Pak is a supporter and one of the founders of the ASI, established in 2012. The ASI's main goal is to develop a global standard for aluminium sustainability by the end of 2014 to foster responsible resource management of aluminium throughout the entire value chain.

Caring for Climate: We are a signatory of this UN Global Compact initiative, which is aimed at developing the role of business in addressing climate change (see also: UN Global Compact).

CEMPRE (The Business Commitment for Recycling):

A non-profit association, funded by multinationals and major Brazilian corporations, to promote recycling through publications, technical assistance and seminars.

China Packaging Federation (CPF): A self-regulatory industrial organisation aiming to promote sustained, rapid, healthy and harmonious development of China's packaging industry.

Consumer Goods Forum (CGF): Our customers operate in a fast-paced sector, and staying ahead of the curve requires insight. The CGF is a global, parity-based industry network. It brings together more than 400 retailers, manufacturers, service providers and other stakeholders across 70 countries. Its strategic pillars are: emerging trends, sustainability, safety and health, operational excellence and knowledge sharing, and people development.

EUROPEN (The European Organization for Packaging and the Environment): EUROPEN is a pan-European body that promotes the benefits of packaging and best practices for lowering its environmental impact. It supports packaging policies that are environmentally, economically and scientifically sound, as well as socially and politically acceptable. EUROPEN aims to achieve a fully accessible European market for packaging and packaged products, while protecting the product and the environment.

European Fruit Juice Association (AIJN): The Fruit Juice CSR Platform is a business-driven sustainability initiative specifically established for the fruit juice industry, endorsed and co-funded by the European Commission. Its objective is to inspire and support the European fruit juice industry to integrate CSR in business operations and core strategy.

Forest Stewardship Council™ (FSC™): With a presence in 50 countries, the FSC™ is an independent NGO that promotes the responsible management of the world's forests. Its multi-stakeholder processes define the social and environmental criteria for forest management and its certification programme best meets the criteria for sustainable forestry management on a global scale. Tetra Pak is a member of the FSC™ in Sweden, France and Russia.

Global Alliance for Improved Nutrition (GAIN): Approximately 800 million people worldwide are suffering from malnutrition. With a focus on school feeding programmes, we partner with GAIN to reduce that number by providing nutrition to populations at risk. The long-term goal is to ensure a supply of market-viable fortified goods to people suffering from malnutrition.

Global Child Nutrition Foundation (GCNF): GCNF's mission is to expand learning opportunities for children through community-based feeding programmes. Since 2008, a Tetra Pak representative has been a member of the GCNF board.

Global Dairy Platform (GDP): Formed in 2006, the GDP is a member organisation that seeks to align and support the dairy industry to promote sustainable dairy nutrition. Operating in a pre-competitive manner, it enables corporations, cooperatives and associations to collaborate on common challenges and stimulate the demand for dairy products. Tetra Pak has also signed up to the Global Dairy Sustainability Framework (DSF), developed under the leadership of the GDP.

Global Forest and Trade Network (GFTN): With a network of more than 300 companies, local communities and NGOs, the GFTN is a WWF initiative that supports the establishment of credibly certified forest management. The initiative helps transform the marketplace to save threatened forests and improve livelihoods. It has the purchasing power of the world's 10 largest wood buyers, including Tetra Pak, IKEA and Home Depot (see also: WWF).

High Conservation Value Resource Network (HCVRN): The HCVRN developed a toolkit for consistent and sustainable land-use planning and a common baseline for managing High Value Areas, helping to shape our Forestry Guidelines. Its processes are also applied in managing the impacts of commodities such as palm oil, sugar cane and soya plantations. Tetra Pak is a founding member and has been in its steering group from its inception until the end of 2013.

Paper Recycling Association of South Africa (PRASA): Promotes and supports the recycling of paper and paper packaging.

Russian Packaging and Environment Coalition (RUSPEC): Members promote the integrated management of consumer waste packaging wastes.

SAVE FOOD: This initiative aims to encourage the dialogue on food losses between industry, research, politics and civil society. Regularly bringing together stakeholders involved in the food supply chain, SAVE FOOD supports effective measures to raise consumer awareness.

Scaling Up Nutrition (SUN): In 2013, Tetra Laval joined the SUN movement, launched to support national leadership and collective action to address malnutrition around the world. Our commitment shows our support for a network of governments, civil society, NGOs, donors, businesses and researchers working to improve nutrition in 47 countries.

SUSTENTA MEXICO: Promoting integrated waste management in Mexico.

Swedish International Development Cooperation Agency

(Sida): In May 2013, Tetra Laval was one of 20 Swedish and Swedish-based companies that agreed to contribute to sustainable development and poverty reduction beyond the UN Millennium Development Goals through the Sida-led Swedish Leadership for Sustainable Development initiative. Two Tetra Laval case studies about public-private partnerships have been developed to inspire other companies to develop similar partnerships that reduce poverty. The case studies describe Tetra Laval's cooperation with Sida, the UN organisations WFP and UNIDO, and customers to develop milk value chains through the introduction of school milk programmes and dairy hubs in Zambia and Bangladesh.

Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE): The members aim to reduce packaging wastes with a safe and sustainable methodology.

Stakeholder engagement

The Sustainability Consortium (TSC): TSC is an organisation of diverse global participants who work collaboratively to build a scientific foundation that drives innovation to improve consumer product sustainability. TSC develops methodologies, tools and strategies to help new products and supply networks to address environmental, social and economic issues.

UN Global Compact (UNGC): The United Nations Global Compact unites signatory organisations committed to promoting its 10 core principles, and Tetra Pak has been a participant since 2004. Tetra Pak also supports a number of wider UN objectives, including the Millennium Development Goals (see also: Caring for Climate).

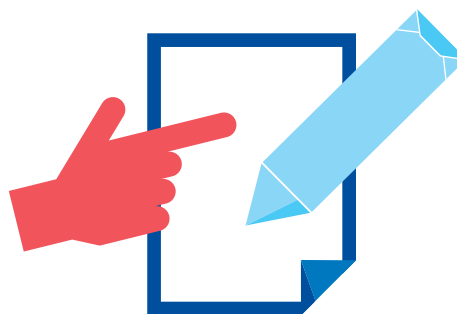
US Carton Council: The Carton Council unites a group of carton manufacturers promoting long-term sustainable solutions for carton recycling.

World Resources Institute (WRI): WRI is a global environmental think tank with more than 50 active projects covering aspects such as climate change, sustainable markets, ecosystem protection and environmentally responsible governance. Our climate goal is based on the methodology of the WRI's GHG Protocol.

WWF: We've worked with WWF on common issues such as responsible forestry and climate change since 2006. Our three-year cooperation agreement, running until June 2015, involves promoting responsible forestry and certification for smallholders and communities; promoting the High Conservation Values concept; supporting WWF's global work with the pulp and paper sector; and Tetra Pak continuing its Global Forest and Trade Network (GFTN) participation for global sourcing of board through GFTN Sweden (see GFTN above).

87%

Global participation rate in our 2013 Employee Engagement survey



How we report

We have communicated our strategies, responsible business practices and performance in updates for several years. This Sustainability Update covers our activities and achievements in 2013, as well as our strategic objectives, our management approach to our responsibilities, and our use of an integrated value chain to engage our stakeholders.

MATERIAL ISSUES

Every year since 2010, we have mapped the sustainability issues of most relevance to our business and of most interest or concern to our stakeholders, to determine where we should focus our efforts and what we should report on.

In addition, we regularly use internal strategy documents, risk management and product lifecycle assessments, customer and employee engagement surveys, stakeholder research, global trend analyses, academic research and media coverage to evaluate their impact on our sustainability strategy and communications.

We define our material issues as being:

• Food safety • Packaging technology and design • Waste management • Responsible sourcing • Energy and climate impact • Recycling • Equipment technology and design • Consumer information and engagement • Governance • Operational performance • Behaving ethically • Community engagement • Food availability • Talent attraction and retention

AUDIENCE

We have identified a number of key stakeholder groups that we expect to be the main audiences for this Update. These are likely to be current and potential customers; retailers; current and potential employees; food industry associations and other influencers; governmental agencies; and NGOs. We engage with these and other stakeholders on an ongoing basis about our sustainability approach and performance.

COMMUNICATION ON PROGRESS

This Update is submitted to the UN Global Compact and serves as our 2014 Communication on Progress (COP) on how its 10 principles, covering environmental performance, labour and human rights practices, and anti-corruption, are integrated into our business strategy and day-to-day operations. This Update meets Global Compact Active criteria.

We also use this report to communicate our support for the UN's eight Millennium Development Goals (MDGs), a set of objectives that, through global partnerships, aims to end poverty and hunger, widen access to education, improve health and promote environmental sustainability. Through our core business and our Food for Development Office (FfDO), we contribute directly to five of these goals, as outlined below.

MILLENNIUM DEVELOPMENT GOAL	TETRA PAK ACTIVITIES
Eradicate extreme poverty and hunger	FfDO school feeding programmes, Dairy Hubs and emergency relief efforts tackle hunger, and create employment and income opportunities deeper in the pyramid.
Achieve universal primary education	School feeding makes it easier for children to complete a full course of primary education.
Promote gender equality and empower women	School feeding makes girls more likely to attend school, and Dairy Hubs empower women farmers.
Ensure environmental sustainability	Tetra Pak is driving environmental excellence along the value chain and setting ambitious targets to spur sustainable sourcing and innovation, combat climate change and increase recycling.
A global partnership for development	Our FfDO integrated value chain model strengthens the private sector, boosts agricultural development and builds local capacity, while our efforts to reach 100% FSC™-certified paperboard support the increase of responsible forest management practices.

Reporting history

Tetra Pak has been reporting on environmental performance since 1999 and on broader sustainability issues since 2005. We published our previous Sustainability Update in 2013. This Update forms part of our general communication on performance and progress, which includes our corporate website and the Tetra Laval annual report.

We submitted our latest Communication on Progress to the Global Compact in July 2013.

Continuous development

Over the past year, we have continued to improve our data collection and management on key environmental measures.

For example, we have introduced new software to support the reporting of environment data from our sites and suppliers. The benefits include improved efficiency and quality of data collection, and ensuring that the data is auditable.

We have also improved the management of recycling data, by implementing the global reporting of recycling through Business Warehouse. In addition to improving the quality of reporting, the new system increases the visibility of and access to global and local recycling data at any given time within Tetra Pak.

How we report

SCOPE

The information and data in this report cover our global operations for the calendar year to 31 December 2013, unless stated otherwise.

As a Tetra Laval Group company, some areas of our engagement – such as disaster relief and Food for Development projects – are coordinated through Tetra Laval.

There have been no major structural changes or changes in ownership since the last reporting period.

EXTERNAL ASSURANCE

This report is not verified by a third party. However, our practices, processes and performance are verified externally through World Class Manufacturing, ISO 9001 and 14001, OHSAS 18001, and FSC™ chain of custody and Quality Assurance Management certification.

By the end of 2013, 66 of our 70 factories (2012: 62 out of 69) had been certified to ISO 14001.



FURTHER INFORMATION

Global Reporting Initiative (GRI)

UN Global Compact

GRI index

The index below, drawn from the Global Reporting Initiative (GRI) framework for sustainability reporting, shows where you can find key areas of disclosure and performance indicators.

INTRODUCTION

The degree to which this information meets GRI's requirements is indicated under 'fulfilment level' and each indicator is identified as either being reported in full accordance with G3 Reporting Guidelines, or reported but not in full accordance with them. Those indicators that are not seen as relevant or material to our business do not appear in the index.

No sector supplement was used in the production of this report and Tetra Pak has not declared a GRI application level. The index also shows cross-references to the UN Global Compact principles.

Download the GRI index at sustainability2014.tetrapak.com



FURTHER INFORMATION

Global Reporting Initiative (GRI)

Governance

Our company is committed to making food safe and available, everywhere. To turn this vision into a reality, we need to stay focused on our promise to PROTECT WHAT'S GOOD, in terms of our products and services as well as for our stakeholders and society. This involves behaving ethically, abiding by relevant regulations and legislation, living our Core Values every day and adhering to the various elements of our Corporate Governance Framework.

CORPORATE GOVERNANCE FRAMEWORK

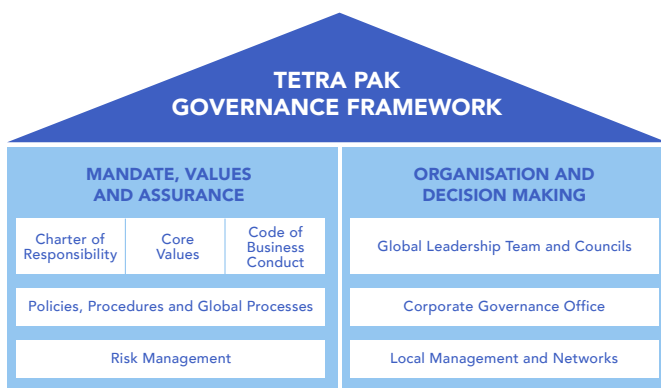
Based on the many ethical, legal, reputational and competitive reasons for living up to our established governance structure, our whole approach rests on the firm belief that good corporate governance is fundamental to being a successful, sustainable business. It provides the structure for setting company objectives and the means by which we will achieve them. Governance is also about how we operate and behave with our stakeholders across the value chain, and how we communicate our performance and progress openly and honestly.

In addition, we must also adhere to specific requirements on corporate governance and risk management that are laid down by the Tetra Laval Board.

To do so, everything we do – from developing strategies and making decisions to how we operate and act every day – is guided by our Corporate Governance Framework. The Framework includes a mandate from the Tetra Laval Group Board, in the form of:

- our Charter of Responsibility, which spells out the responsibilities for corporate governance, and implementation of and compliance with the Corporate Governance Framework
- our Code of Business Conduct, which sets out requirements on working conditions, anti-discrimination, confidentiality, conflicts of interest, financial reporting, obeying the law, anti-corruption, bribery, child exploitation and environmental issues, in all parts of our operations.

Other key elements include the internal control environment, which contains and describes the links between risk management, policies, controls and strategies to mitigate risk, as well as the various assurance processes to monitor compliance. Clear organisational, decision-making and reporting structures are also well-established, as set out below.



ASSURANCE AND ACCOUNTABILITY

Our Global Leadership Team (GLT) is responsible for the Framework, supported by a Corporate Governance Office and a network of local governance, risk and compliance officers. Every year, our CEO and the GLT submit a signed Management Declaration to the Tetra Laval Board, reporting on our adherence to the Corporate Governance Framework. This is based on detailed reports and self-assessments from all heads of markets and business areas.

To manage risks effectively, we have an internal control environment throughout Tetra Pak, based on detailed policies, procedures and processes. Across the Group, Tetra Laval's Internal Audit team verifies that the framework, policies and procedures are being followed, and reports to a board-level Audit Committee.

To effectively identify and act on breaches of our Code of Business Conduct, and any other unethical behaviour, we have a whistleblowing process. Anyone in the company can anonymously report matters directly to either the Corporate Governance Officer or Head of Audit. Employees are not penalised in any way for reporting an incident or a suspected incident. Every case of breach of the Code of Business Conduct is handled individually and investigated appropriately, depending on the severity of the breach. If the incident is criminal, we report it to the relevant authority.

A renewed Governance Risk Compliance system, currently in development, will enable us to combine all our risk management policies, controls, assurance processes, audit findings and reports into one system.

GUIDED BY INTERNATIONAL FRAMEWORKS

As a participating company in the United Nations (UN) Global Compact since 2004, we are committed to the implementation, disclosure and promotion of its 10 universal principles on human rights, labour, the environment and anti-corruption. We also actively contribute to the eight UN Millennium Development Goals and this Sustainability Update acts as our annual Communication on Progress.

RESPONSIBILITY AND AWARENESS

The CEO of Tetra Pak is ultimately responsible for the Corporate Governance Framework and Code of Business Conduct. And for each of the four UN Global Compact areas (see below), the highest responsibility lies with the GLT. Defined functions within the organisation have a coordinating role and all heads of markets and business areas take responsibility for operational implementation in each case:

- **Human rights:** Human resources/corporate communications
- **Labour:** Human resources
- **Environment:** Global environment
- **Anti-corruption:** Corporate governance

In addition, four councils have been established by the GLT to manage decision-making in the key areas of strategy, products and technology, transformation and capability, and corporate governance.

Governance

OUR CORE VALUES

Shared values strengthen performance. They guide how we work together, how we conduct business, and how we behave towards our customers, suppliers and stakeholders. We expect every one of us to bring them to life, every day, in everything we do.

Awareness, understanding and compliance

All employees, at all levels of the company, are responsible for compliance with the Framework in their everyday decisions and actions. To assist with compliance and to achieve a common level of awareness and understanding, various corporate governance training programmes are ongoing.

For example, a company-wide e-learning programme was launched in 2013, explaining how good governance supports a sustainable business and what every section of the Code of Business Conduct means for each employee. The interactive training, which will be mandatory for all employees, will be translated into 14 languages as we roll it out across the company.

Our Corporate Governance Framework is also readily accessible on our intranet.

Zero tolerance towards corruption

Anti-corruption is an important element in our approach to corporate governance, and we have zero tolerance of corruption, bribery and fraud. Corruption is unethical; it undermines the fairness of the market, distorts transaction costs, destroys an open, honest and decent society, and harms countries' economic, social and political progress. Combating corruption is a vital part of building trust with customers, suppliers and other stakeholders, and fostering a responsible, transparent business culture.

SHARING ETHICAL PERFORMANCE

To build trust and transparency with our customers and to minimise risks, Tetra Pak has been a member of the Supplier Ethical Data Exchange (Sedex) as a supplier since 2010.

FURTHER INFORMATION

Tetrapak.com

UN Global Compact

UN Millennium Development Goals

Protecting food

Our vision is to make food safe and available, everywhere.

As the world's leading food processing and packaging solutions company, Tetra Pak plays an integral role in the global food value chain and in contributing to meeting local needs while developing the markets. Every year, billions of our food and drink packages reach consumers around the globe. Our processing and packaging solutions are made to keep food safe, to efficiently transport food and make it available to consumers all over the world, and to produce solutions in a cost-effective manner.



Food protection

Working with our customers, we're committed to making food safe and available, everywhere. Our aseptic processing and packaging solutions mean that milk, juice and other foods with a limited shelf life can be kept safe, and transported and stored without refrigeration or preservatives for months, helping to reduce food waste and increase food availability.

Food availability

We support the development of sustainable and profitable food processing industries, especially in developing countries. The aseptic packaging solutions we developed in the 1960s opened up new ways to preserve sensitive food and make it available in countries without well-developed transport and cooling infrastructure. Through our Food for Development Office, we help to make milk and other nutritious drinks available to school children all over the world.

Food affordability

We are working to make safe, nutritious foods accessible to those on low incomes, even in remote locations, by providing simple, small and affordable products and services designed specifically for them.

Food protection

Tetra Pak's brand promise, PROTECTS WHAT'S GOOD, expresses our fundamental commitment to customers and consumers across the world. And nowhere is this commitment more relevant than food safety, the most important of our material issues. Our aseptic package technology means that food and drink can be distributed and stored without refrigeration or preservatives for many months, which is vital for achieving our vision: to make food safe and available, everywhere.

OUR VISION

At a time when production and distribution were far from reliable, Dr Ruben Rausing founded Tetra Pak to provide milk to post-war Europe and beyond in a safe and efficient manner. His concept, from his very first package, has been steadily developed and improved ever since, so that our offer now incorporates numerous innovations in food processing, packaging and distribution. However, our goal remains the same: to make food safe and available, everywhere.

Food safety remains our number one priority. We ensure our packages contain no unwanted bacteria, chemicals or other unsafe ingredients so that they protect the contents hygienically and preserve their nutritional value.

MEETING CUSTOMER NEEDS THROUGH INNOVATION

We are continually working to develop our knowledge and provide our customers with new solutions to meet fast-changing market conditions and consumer demands around the world. We do this every day without losing focus on our number one priority: food safety.

We aim to offer them product differentiation and enhanced functionality by launching new package types, sizes, shapes and closures. We continue to work to extend the shelf-life of food products, developing processing and packaging solutions for food distribution at ambient temperatures and maximising the environmental efficiency and minimising the waste of our systems and processes.

THE PIONEERS OF ASEPTIC PACKAGING

Good packaging is essential for protecting and preserving food for as long as possible, and Tetra Pak pioneered the development of aseptic (long-life) packaging, which preserves food without refrigeration for several months. Tetra Pak's aseptic processing systems make it possible for liquid food products to be distributed and stored in room temperature, and our first aseptic packaging system, Tetra Classic® Aseptic, was introduced in 1961.



Our approach ensures that food, packaging materials and machinery are free of harmful bacteria. The result is a 'commercially sterile' product that, theoretically, can be preserved safely at ambient or room temperature virtually forever. However, because taste, flavour, colour and nutritional value all deteriorate over time, the shelf-life of the content of an aseptic package typically ranges from six months to a year.

Aseptic technology offers several advantages over other preservation methods, including the variety of possible package shapes, economies in energy and packaging materials, and improved consumer convenience. Often, aseptic packaging also improves quality because food products generally change less than with other preservation methods.

Customer benefits

Tetra Pak's comprehensive portfolio of aseptic packaging makes it possible for food producers and manufacturers to capitalise on opportunities whenever and wherever they arise.

Because the combination of aseptic processing and packaging reduces food waste, converts unprocessed food into ready-to-use formats and makes distribution cost-efficient, it becomes possible for our customers to reach consumers in remote locations or after natural disasters.

It can make a huge difference to the everyday lives of low-income consumers who might not otherwise have access to milk or other dairy products, or if refrigerated distribution and storage facilities don't exist locally. And in more developed socio-economic environments, convenience might be the prime advantage of food in aseptic packaging.

UHT TECHNOLOGY

Tetra Pak is also a pioneer in the development of food safety technologies, such as juice pasteurisation and ultra-high temperature (UHT) treatment. This sterilises food by heating it for around two–four seconds, at a temperature exceeding 135°C (275°F) – high enough to kill all hazardous bacteria and spores in milk. Our OneStep technology combines several processes that also reduce CO₂ emissions, water consumption and operating costs.



GOING BEYOND LEGISLATION

We ensure that all our packaging materials at least conform to relevant EU and US FDA food contact material legislation. We also monitor changing legal frameworks in relevant markets and ensure that we are proactive in the management of our products so that we meet future legal expectations. All our packaging materials are certified for food contact.

Safety first, every day

An uncompromising approach to food safety is built in to all our working processes. For example, we are scrupulous in ensuring that the migration of chemicals from processing equipment or packaging material into food is kept to an absolute minimum. We own detailed information on the chemical composition of raw materials and work in close co-operation with our suppliers to ensure the use and development of low-migration products.

Furthermore, we have implemented a sophisticated approval process to evaluate migration risks, building the results into the Food Contact Certificate documentation we supply to our customers. Routine control migration testing programmes ensure continuous, high-level standards in food safety and we have recently introduced internal audits to ensure food safety throughout our processing and manufacturing chain, from supplier to delivery.

Food protection

Hygienic design

As an active member of standardisation bodies such as the European Hygienic Engineering Design Group (EHEDG), we follow established guidelines on hygiene for the manufacture of safe and healthy food and beverage products.

For us, food safety starts on the drawing board through the 'hygienic design' of our processing and filling equipment. This ensures that everything that comes into contact with food – from single components to connections and welds – is made from approved materials and is built to enable correct and efficient cleaning.

Food safety is also ensured through our advanced cleaning in place (CIP) technology, which enables our machines to be automatically cleaned without dismantling, significantly increasing the time spent in operational production. This is available in our latest version of Tetra Therm® Aseptic Flex, an aseptic processing unit for the UHT treatment of dairy and other food products.

TRACEABILITY AND TRUST

The more urbanised the world becomes, the more food is transported, often across national borders. Consequently, customer and consumer demand for traceability is increasing. This generally means tracing raw materials and ingredients back from manufacturer to supplier, and tracing the finished product forward to the consumer.



Tetra Pak has developed solutions to do just that, such as Tetra PlantMaster®: a factory-wide control system that fully and seamlessly integrates intelligence from each unit of the dairy production line. It covers everything from milk reception and processing to filling, stacking in pallets and distribution – all with maximum efficiency and full traceability.



JUICE PASTEURISATION

Established industry practice is to pasteurise fruit juices twice before sending them to consumers. The first stage, conducted immediately after the juice is squeezed, deactivates the enzymes and micro-organisms in the fruit; the second is carried out prior to filling the container.

In the case of NFC (not from concentrate), this destroys any recontaminant micro-organisms that may have developed during bulk transportation and storage, and in the case of FC (from concentrate), after the juice is reconstituted by mixing the concentrate with water, it destroys micro-organisms added during the blending stage. This second stage is usually conducted for 15 seconds at a temperature of 95°C.

Our research team found that the pasteurisation temperature for drinks with pH values of 4.2 or less can be reduced to 80°C and still be safe and commercially sterile without affecting taste, appearance or quality. The temperature reduction also results in a 19% reduction in energy consumption.

In response, Tetra Pak introduced a new pasteurisation process for high-acid juices that can be performed at 80°C, bringing our customers both cost savings and environmental benefits.

"We are excited by this new development, as it reduces energy consumption and therefore helps our customers improve their bottom line in an increasingly competitive market. At the same time, extensive tests show that the new process has no impact on the quality of the juice produced, in terms of taste, nutrition, storage stability or visual appearance."

Micael Simonsson, Centre of Expertise Manager, Tetra Pak

Food availability

Tetra Pak's vision – to make food safe and available, everywhere – is made possible through our aseptic processing and packaging solutions. Our Food for Development Office (FfDO) was established in 2000 to gather Tetra Pak's extensive experience in helping governments in developing countries to implement school milk programmes based on public-private partnerships.

Today, the FfDO works with Tetra Pak market companies all over the world to drive the development of the entire food value chain in collaboration with customers, governments and other organisations. These partnerships lead to new school feeding programmes, the development of new nutritious products and the set-up of dairy development projects.

CHALLENGES AND CONTEXT

One of the most urgent global challenges facing the world today is how to feed a growing population with limited resources. And this is not helped by the amount of food waste and losses throughout the value chain in production, processing, distribution and consumption.

The amount of food wasted today is estimated to be one-third of the amount of additional food the world will need by 2050. In developed countries, much of this is simply what consumers throw away, so the challenge is to raise awareness and help change behaviour. In developing and emerging countries, however, large quantities of food – for example, milk – are lost in the early parts of the supply chain: in particular, when it cannot be collected, processed, stored and packaged correctly.

When it comes to food losses in the production stage, we see great opportunities for positive change, especially in the milk value chain in developing countries. Through our aseptic processing and packaging solutions, we can help to reduce food losses and tackle malnutrition. And by linking smallholder farmers to dedicated processors, we also support the development of a local food reserve in developing countries.

SUPPORTING FOOD PRODUCTION

With Tetra Laval's world-leading knowledge in processing, packaging and dairy farming, we have the expertise to drive the development of the entire dairy value chain.

Through our Dairy Hub concept, we support the development of local milk production in developing countries. By linking smallholder farmers to dedicated dairy processors, who are committed to collect milk every day and pay more for better quality milk, we give both our customer – the processor – and the community access to a local food reserve, while developing new markets for us. Through partnerships in the Dairy Hub model, we also bring vital financing, training, technology and marketing know-how to where it is needed.

We first implemented Dairy Hubs in Pakistan in 2009/10, and the FfDO now supports Dairy Hubs in many countries, including Bangladesh and Nicaragua (see case stories). The model typically covers several hundred smallholder farmers and thousands of cows in 15–20 villages. This creates economies of scale and, supported by extension and veterinary services and the sharing of knowledge and best practice, farmers can raise healthier animals. In turn, milk yields can increase by more than 50% and quality also improves, which results in greater income for the farmers. At the same time, the dairy industry is developed, smallholders expand from subsistence farming to commercial milk production and the public has better access to safe, affordable milk.

The Dairy Hub concept builds long-term commitment and loyalty between the farmers and the dairy processor, and is a way to tackle the Millennium Development Goal of 'reducing poverty and hunger'. We continue to develop projects where the approach creates societal value by expanding the market for both farmers and our customers.

INTERNATIONAL DAIRY EXPERT JOINS FfDO



Morgan teaching farmers in Bangladesh how to make silage.

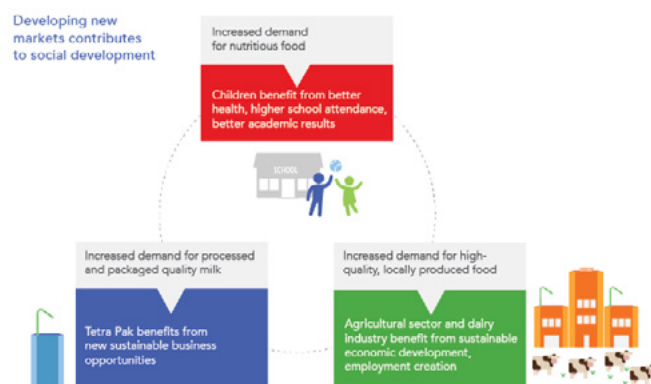
Reflecting our commitment to supporting local dairy development, Tetra Pak's Food for Development Office is expanding, with Morgan Tinnberg joining the team in spring 2014. Morgan, a Swedish milk farmer, has UN experience from Sudan and Bosnia, and worked on agricultural development projects in Russia, Macedonia, Ukraine and Georgia. He will support local dairy development through Dairy Hubs in markets with weak dairy value chains. Morgan has spent the last two years in Bangladesh, working on a Dairy Hub project with the dairy processor PRAN and Tetra Pak Bangladesh (see case story).

TACKLING MALNUTRITION

Through the Food for Development Office, we've been nurturing partnerships with governments and local authorities, customers and other public and private partners to support government-funded school feeding programmes around the world for more than 50 years.

Such programmes promote children's right to nutrition, health and education as well as helping to build the demand for locally produced and processed quality milk, and other nutritious drinks.

These programmes foster good eating habits that benefit both individuals and society as a whole, illustrating how developing new markets for packaging can also contribute to social development. This creates a chain of value in new markets, as shown below:



In 2013, we expanded our support for school feeding programmes in a number of countries, including China, Russia, Ecuador and Turkey, and supported new launches in Myanmar, Latvia and Uganda among others. We expect these programmes to continue expanding in the coming years. More than 64 million children were receiving milk or other nutritious drinks in Tetra Pak packages in schools in 2013, 43 million of whom were in developing countries.

Food availability

Loose Milk Conversion Initiative

The Loose Milk Conversion Initiative addresses several UN Millennium Development Goals (MDGs) and provides a good example of how broad cooperation can help improve food safety and develop our business.

Tetra Pak's Loose Milk Conversion Initiative is driven by the Greater Middle East Cluster. In this region, we see societies in rapid development, with a growing middle class and a changing retail sector. Having a tradition of drinking milk, but at a low per capita level compared with northern Europe, this region holds great business potential for Tetra Pak and for our customers.

The Loose Milk Conversion programme, promoting the consumption of safe, packed milk and raising consumer awareness regarding the risks of loose milk, started in Turkey 1999/2000. Since then, the programme has been applied successfully, contributing to an increase in per capita milk consumption as well as the share of packed milk in Turkey. From 2008, the Loose Milk Conversion Initiative has been applied in Iran, Egypt, Morocco and Pakistan.



CHANGING LIVES IN BANGLADESH

Almost all the dairy farmers in Bangladesh are traditional smallholder farmers with little or no access to education, technical services or the commercial market. Yields are typically low,

around 3.6 litres of milk per day per cow, and loose milk is sold directly to consumers at markets, with no guarantee of quality or hygiene. Therefore, major customers such as PRAN Dairy Ltd typically use imported milk powder for industrial processing.

Tetra Pak and Tetra Laval's Food for Development Office joined forces to help PRAN Dairy Ltd in expanding its local collection network. We helped set up two Dairy Hubs – the first opened in September 2010 in Chatmohar, Pabna district, and the second was established a year later in Natore district.

In addition to local collection centres, where milk is collected, tested and cooled, the Dairy Hub provides training and a demonstration farm to support PRAN's own Dairy Academy in sharing knowledge and best practice, and increasing competence in the field.

Today, farmers are paid more per litre of milk, as its quality has increased, and there has been a ten-fold increase in the number of farmers moving from producing milk for family consumption to commercial milk production as a source of income. At the Chatmohar Dairy Hub, from when it started in October 2010 to December 2013:

- the average daily yield per cow rose by 80% from 4.75 litres to 8.5 litres
- the amount of milk collected per day increased by 1,275%, from 2,000 litres to 27,500 litres
- the average monthly income for around 1,766 smallholder farmers more than doubled from USD 100 to USD 223.

Women: the primary target group

In cooperation with national health and food authorities, the dairy industry and universities, Tetra Pak drives awareness through communication campaigns. We use multiple channels, like TV commercials, information in pharmacies and seminars for housewives, as well as schools and universities.

With the increased penetration of social media, online communications have started to pay off. The messages focus on the health aspects of milk, the potential hazards with loose milk, and the benefits of processed and packaged milk. The main target group is women, as they are most often responsible for the household, cooking and caring for children.



64 million

Children receiving milk or other nutritious drinks in Tetra Pak cartons through our school feeding programmes worldwide

FURTHER INFORMATION

UN Millennium Development Goals

DAIRY DEVELOPMENT IN KENYA

Given the considerable potential for growth in the dairy industry in Kenya, Tetra Pak Eastern Africa and dairy processor Sameer have supported the set-up of two Dairy Hubs in Nyandarua County in Kenya during 2013.

The activities aim to increase yields per cow and total production levels, improve the quality of the milk by reducing bacteria levels and make the local milk collection infrastructure more efficient, securing the supply of milk for Tetra Pak East Africa's customers. Around 700 smallholder dairy farmers will benefit from the hubs, with the aim of breaking even within three years, and job opportunities for young people will be generated.



The milk intake at one of the hubs has grown from 4,000 litres a day in May 2013 to approximately 10,000 litres a day in March 2014. Sameer will set up three more Village Milk Collection centres during 2014.

Food availability

NICARAGUA'S CATTLE HUB

In Nicaragua, the poorest country in Latin America, the conditions for local food production and sustainable dairy farming can be extremely tough. The dairy sector struggles with inadequate cooling systems and a lack of collection infrastructure.

Seasonal differences in milk production – low during the dry season and sometimes a surplus during the wet season – result in sharp price fluctuations, and poor milk quality makes it difficult for processors to regularly deliver dairy products to consumers.

The Ministry of Agriculture's figures suggest that milk consumption in Nicaragua is one of the lowest in the region. But, by improving quality, more people will consume locally produced milk across the whole year, and the livelihoods of local dairy farmers will improve. The export market for UHT processed milk and cheese products also has the potential to grow.

Centrolac, a key Tetra Pak customer, was the first dairy processor in Nicaragua to introduce UHT processed milk to the local market, using our aseptic packages to keep milk safe for months without preservatives or refrigeration. In May 2012, Tetra Laval's Food for Development Office (FfDO) signed a formal partnership agreement with Centrolac, along with US-based investment company Venture Dairy and the beef processor San Martin, to establish the Centrolac Cattle Hub Centre.

This model differs from a typical Dairy Hub because the farmers own the milk collection centres, rather than the processors, and many of them raise cattle for meat as well as milk. Through this model, we aim to double the average daily milk production per cow, and to increase profitability for the farmers.

A year on, the original pilot farm has now seen a 31% increase in net income, equal to USD 100 a month. The 20 farms in the San Felipe cooperative that were selected for the first phase of the project are now model farms, illustrating how milk production can be increased and the quality of milk improved with practical training and advice on feeding, hygiene, animal health and farm management. Between December 2012 and December 2013, average milk yield per cow increased by 15.8% and milk yield per farm increased 18.3%. Thanks to new feeding methods, calves are gaining more weight, which attracts a premium from beef producers, and a complete vaccination programme has been implemented in more than 1,300 animals.

The project was extended to 50 farmers in November 2013, and other cooperatives are showing an interest in replicating the model across Nicaragua.

SCHOOL MILK PROGRAMME IN MYANMAR

Convinced of the nutritional and health benefits that school milk will bring to local children, as well as wanting to boost the local dairy industry, in June 2013, the Republic of the Union of Myanmar became one of the latest countries to launch a new school milk programme.



The government-led scheme, developed with support from Tetra Pak and Tetra Laval Group, focuses on children at critical growth ages, and will provide packaged ready-to-drink, long-life UHT milk to approximately 45,000 children in primary schools in Nay Pyi Taw, Yangon and Mandalay over three years. The Ministry of Education has nominated 205 schools to participate in the programme.

Initially, the milk is processed and packed in neighbouring Thailand but, in time, we hope manufacturers in Myanmar will see an opportunity for packaging milk supplied by local dairy farmers.

MINISTERIAL SUPPORT IN EL SALVADOR

Our Food for Development Office actively supported the Dairy Farmers Association and the Ministry of Agriculture in calling for the introduction of a school milk programme in El Salvador.



A school milk law was approved by the National Congress in March 2013, and it is now mandatory to serve locally produced milk in all public schools, ensuring the longevity of the programme.

The Education and Agriculture ministries prioritised food safety and quality, as milk used to be served from plastic pouches, leading to leakages, contamination and other quality concerns. Milk is now served twice a week to around 820,000 children in 2,300 schools using our Tetra Brik® Aseptic package, as the schools do not have refrigeration equipment.

The President of El Salvador himself has praised the initiative as an exemplary social programme that benefits children and local agricultural production.

Food availability

PARTNERSHIPS IN THE DOMINICAN REPUBLIC

School feeding programmes offer a wide range of benefits to children and communities, in terms of education, health, nutrition, income transfer, and the development of local agriculture and economies. However, poor implementation and weak institutional capacity can require governments to seek support to improve the quality and sustainability of their programmes. In the Dominican Republic, Tetra Pak's Food for Development Office (FfDO) has developed a public-private partnership to respond to such a need.



In support of the Ministry of Education's school feeding programme, we have run four technical assistance missions since 2007 and signed a Letter of Intent with the United Nations World Food Programme's (WFP) regional bureau in Latin America and the Caribbean, to strengthen our technical support and share our 50 years of expertise. This partnership has brought positive synergies, mutual learning and a deeper understanding of each other's knowledge and capacities.

In June 2011, the WFP sponsored a stakeholder workshop that identified the need to focus on local production and suppliers, closer supervision and the need for data-gathering software. The Government also enhanced its guidance manuals for all schools and programme supervisors, and developed its quality control and food safety protocols.

Then, in late 2012, the Government approved a law that guarantees funding at a national level. The programme now serves 1.47 million primary school children in 5,145 schools across the country.

A baseline study to measure the nutritional impact of the programme was conducted in 2013 by CENISMI (the National Center for Maternal and Infant Scientific Research), in conjunction with the WFP, UNICEF and the UN's Development Programme. This study showed that:

- the incidence of anaemia among children aged 6–14 has fallen from 43.9% to 16.7%
- chronic malnutrition has been reduced from 19.4% to 1.9%
- only 12.6% of the children had lower than normal vitamin B12 levels, compared to the 22% average among children across Latin America.



IDF WORLD DAIRY SUMMIT

For the first time, the International Dairy Federation (IDF) held a full-day seminar to focus on children and nutrition at its annual World Dairy Summit, which opened in Yokohama, Japan, on 29 October 2013.

Our Food for Development Office co-hosted the 'Children and milk' conference, chaired a session on school milk programmes and, together with Tetra Pak Japan, organised a school visit for Tetra Pak's dairy customers and government representatives to see how the well-established school milk programme is implemented in Japan.

As one of the summit's main sponsors, we were pleased that our President and CEO, Dennis Jönsson, opened the World Dairy Leaders Forum with a speech addressing the conference theme, 'Rediscovering Milk'. Within the context of food security, he endorsed the IDF's call to tackle the food security challenges and appealed for collaboration among all industry stakeholders, highlighting the critical role that the industry can play in helping to meet the expanding needs of a rising global population.

"Firstly, we must innovate constantly to respond to rapidly changing and increasingly diverse consumer needs. Secondly, we must harness the power of technology to decrease food waste, maximise food safety and reach more people with high-quality dairy products. And thirdly, we must work together to ensure not only the economic future of our industry, but the social and environmental sustainability of our planet."

Dennis Jönsson, President and CEO, Tetra Pak

The industry's premier event is a unique opportunity for around 1,800 specialists and decision-makers to explore solutions to global challenges during a week-long programme of conferences, workshops, debates, technical tours and networking opportunities.

Our involvement also included a presentation on dairy policies and economics by Ulla Holm, Global Director of the Food for Development Office, and a speech on food and resources waste prevention by Erika Mink, Tetra Pak's Director of Environmental Affairs.

Food affordability

Rapid growth in emerging markets over the past decade has put consumer goods within reach of millions of low-income households for the first time. Our 'deeper in the pyramid' model helps to make safe, healthy and nutritious products affordable to this significant segment of the market.

THE MARKET OPPORTUNITY

In 2004, academic and businessman C.K. Prahalad proposed a way to address some of their socio-economic problems and create a business opportunity at the same time: by providing simple, small and cheap products and services designed specifically for lower-income consumers in emerging markets. Our model, inspired by Prahalad's principles (see The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits) helps customers to act on opportunities to make safe, nutritious food and drink products affordable to this significant segment of the market.

Collectively, the low-income consumer market is considerable. According to Euromonitor estimates in 2010, about 2.8 billion consumers worldwide live on USD 2–8 a day, which means they can regularly afford to buy processed liquid food. They comprise about half of the population across all emerging countries; around half live in India and China.

Deeper in the pyramid

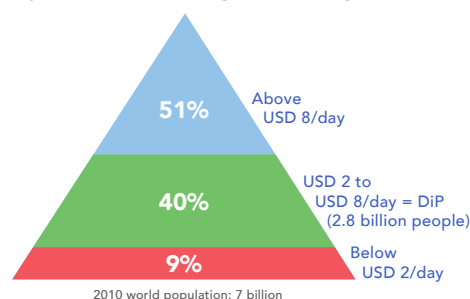
Driven by global urbanisation and growing consumerism in booming economies like China, those in rural locations increasingly aspire to have the same products, services and experiences that can be found in cities.

And as they become tomorrow's middle classes, rising to the 'top of the pyramid' at an average growth rate of 3%, lower-income consumers will become easier to reach in the future, thanks to their greater spending power and established brand loyalty.

The brands that low-income consumers choose today will influence what they buy tomorrow as they increase their spending power, and the proportion of the world's population with a daily income of over USD 8 is expected to reach 66% by 2020.

But it's not just about being able to afford aspirational consumer goods; it's also about making nutritious food affordable and commercially available to as many low-income consumers as possible. For example, undernourishment during the first two years of a child's life will substantially reduce its physical strength and cognitive ability, and increase the risk of chronic disease. In many countries, nutritious products are not accessible to mothers to complement breastfeeding after six months, which could cause malnutrition. Providing affordable options is a key action to motivate mothers to continue to provide food with high nutrition levels.

Disposable income (after income tax)
adjusted with **Purchasing Power Parity**



Source: Euromonitor 2012

OUR RESPONSE: ACHIEVING THE THREE AS

Meeting the needs of people with less purchasing power and consumption capacity requires new and innovative ways of working, so to support customers serving consumers in this segment, Tetra Pak has created the Deeper into the Pyramid (DiP) Unit.

Spanning many areas throughout the organisation, such as consumer knowledge and product development centres, this business unit lies at the heart of a cross-functional network that drives competence and expands business opportunities that fits its broad portfolio of products and services. Additional expertise is provided by our Food for Development Office as required.

We have identified the important aspects that will help our customers reach these 2 billion potential consumers. Based on extensive research carried out in 2010 by our top management team, we came up with three strategic levers: 'the three As':

- **Affordability:** the product must be cost-effective for the DiP consumer to purchase it
- **Availability:** the product must be available in the market where the DiP consumer can buy it, providing access to quality and usability
- **Attractiveness:** aspirational, nutritious products that offer branded quality, value and convenience.



In the three As, the 's' doesn't merely represent the plural: the creation and distribution of our DiP products also need to be economically, socially and environmentally sustainable.

See the case stories for examples of how we're working with customers and other partners on different production techniques, delivery channels, marketing messages and packaging solutions to reach 'deeper into the pyramid'.

80 billion litres

Estimated consumption of Liquid Dairy Products by low-income consumers in 2014



Food affordability

FORTIFIED UHT YOGHURT IN ECUADOR

Ecuador has one of the highest rates of malnutrition in Latin America: according to an ENSANUT survey in 2012, more than 25% of children under five suffer from chronic malnutrition and around 7 million consumers have just USD 2–8 a day to spend.

As long-term business alliance partners, Tetra Pak's Food for Development Office and GAIN (the Global Alliance of Improved Nutrition) reviewed options to utilise Tetra Pak UHT packages to address this issue. At the same time, our customer Reybanpac, part of the Favorita Group, wanted a nutritious product that could help to reduce the levels of malnutrition among low-income families, with a focus on toddlers aged 6–24 months.

Research into the target market's feeding habits revealed that 80% of mothers complemented breast milk with yoghurt. They spent an average of USD 2.52 per week per child on yoghurt, and over half (52%) preferred single serving packages.

The solution, launched in December 2013, was LeNutrit, a low-sugar UHT yoghurt made with milk and whey, and fortified with vitamins and minerals. It uses our Tetra Classic Aseptic® 110ml pack, a low-cost solution that still meets the necessary food safety requirements.

In line with our three As approach, this solution is:

- **Affordable:** the target price of USD 0.25 is within the reach of DiP consumers.
- **Available:** distribution through a 60,000-strong network of local corner shops and drug stores is being supported by TV advertising, in-store displays, paediatrician visits, educational articles, and training and free samples in nurseries and clinics.
- **Attractive:** a choice of vanilla, strawberry and peach flavours, as well as clear nutritional value, makes the product appealing.
- **Sustainable:** with financial support from GAIN and the International Finance Cooperation (IFC) that helped to create a low-cost package for a product that addressed malnutrition, the project was economically, socially and environmentally sustainable.



TOP BRANDS FOR LOW-INCOME CONSUMERS

Having established an emerging markets division in 2011, senior management at Coca-Cola India are leading the company's drive to develop and launch new products aimed at low-income consumers, and devise suitable distribution and retail opportunities.

To help make products affordable, available and attractive for this potential new market, Coca-Cola chose to leverage the power of its flagship juice brand Maaza, available in 1 million outlets. In 2012, a pilot study was conducted in Uttar Pradesh, a state with an estimated 40 million DiP consumers with an average income of USD 1.3 per day.

This approach was:

- **Affordable:** Consumer research suggested that a Tetra Fino Aseptic® 100ml package retailing at only Rs. 5 would appeal to 90% of current consumers, and attract new ones.
- **Available:** Uttar Pradesh has a network of 460 Coca-Cola distributors serving 90,000 retail outlets. The pack size and low price point made it suitable for on-the-go consumers.
- **Attractive:** Offering a leading brand that was competitively priced, with a range of flavours, appealed to consumers. Secondary packaging that could also be used as a hanging display unit in-store provided further merchandising opportunities.
- **Sustainable:** The challenges of Coca-Cola's complex distribution system and India's poor-quality roads were addressed by training sessions on handling and ongoing monitoring of pack performance.

"It looked like mango ice cream ... and at Rs. 5, I wanted to try it."

Female, working professional, aged 25–30

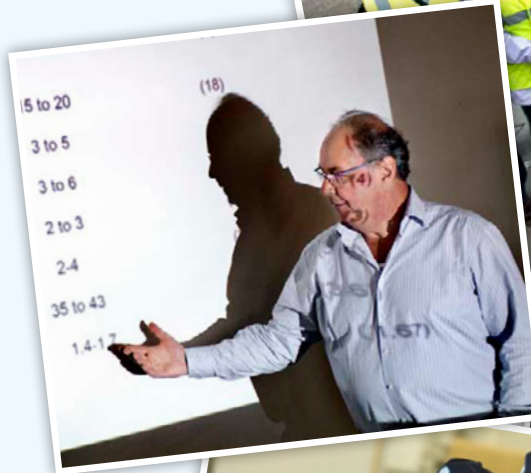
"This is just for me. I can finish it in one go when I'm playing with my friends."

Boy, aged 7–9

Protecting people

We want to positively influence the lives of everyone throughout, and beyond, our value chain.

Tetra Pak wants to play an active role in positively influencing the lives of people throughout, and beyond, our value chain. We are committed to ensuring our employees' health and safety, and providing a supportive, inclusive workplace in which they can reach their full potential. We also build mutually beneficial relationships with suppliers, and contribute to the communities where we operate in a number of ways, from empowering consumers and mobilising community stakeholders to create a positive impact to supporting disaster relief efforts.



Our employees

Our 23,540 employees are vital to our success, and their performance, competence and engagement are essential if we are to continue to meet our customers' needs. But keeping our people healthy and safe is our number one priority, supported by local Operational Health and Safety management systems and an annual assessment survey. Guided by our Core Values, we strive to strengthen our culture of inclusiveness and individual responsibility, invest in employee training and career development opportunities, and maintain the diversity of our workforce.

Our suppliers

We believe that solid relationships with key suppliers, founded on trust and mutual benefits, are vital to our business success. We work in a spirit of open communication and teamwork, with all purchasing decisions guided by our Purchasing and Supplier Management Policy. All our suppliers are expected to support Tetra Pak's commitment to consistently meet, if not exceed, our customers' expectations regarding quality, cost and timely delivery, as well as environmental and social standards.

Our communities

By working closely with our partners, we meet a diverse range of needs in communities around the world. These range from supporting the development of carton collection and recycling infrastructure and recycling awareness campaigns to empower consumers, to boosting education and nutrition through our involvement in school feeding programmes. And when infrastructure fails, like in the aftermath of a natural disaster, our aseptic technology supports the distribution of water and food without chilled transportation, helping to save lives.

Our employees

Our success in a competitive and fast-moving marketplace requires us to engage with our employees and maintain a culture of personal responsibility, diversity and innovation. Our focus on improving the health and safety of our employees is a priority.

OUR PEOPLE MATTER

We employ around 23,540 people around the world, and their engagement and dedication is essential to Tetra Pak's development and competitive edge.

Our company culture is based on strong, shared Core Values that give guidance and meaning to everyday decisions. These help us to maintain a united company, despite our decentralised structure.

OUR CORE VALUES

The values that guide us in day-to-day business are:

- Customer Focus and Long-Term View
- Quality and Innovation
- Freedom and Responsibility
- Partnership and Fun

"Our Employee Engagement survey is one key element for measuring how connected and motivated our people are to perform at their best, and one of the ways for us to check how we are delivering against our promises."

Gabriele Youd, People Development and Resourcing, Tetra Pak

EMPLOYEE ENGAGEMENT SURVEY

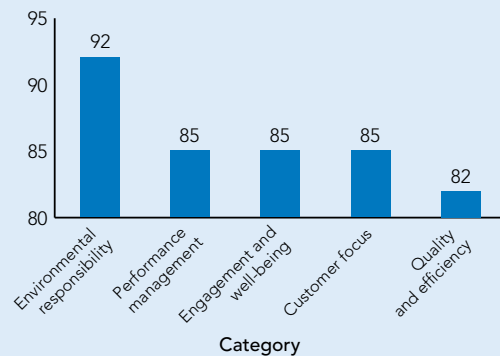
To gather and evaluate feedback on our employees' experience of working at Tetra Pak, we conduct an Employee Engagement survey that covers areas from diversity to leadership and engagement. Formerly an annual process, experience has taught us that the time required to implement any required action plans, and see meaningful results, takes longer than a year, so we now conduct the survey bi-annually.

In 2013, we redesigned our survey to measure 12 elements of engagement that matter most to our employees and that are strategically relevant for us as a business. In the process, we redefined engagement as 'sustainable engagement'.

The impressive 87% participation rate in our first entirely electronic survey compares favourably to the global high-performance norm and shows our employees' commitment to sharing their opinions.

The proportion of positive responses on sustainable engagement – 83% – means that we are performing at the level of world-class companies.

Employee Engagement survey – leading category scores

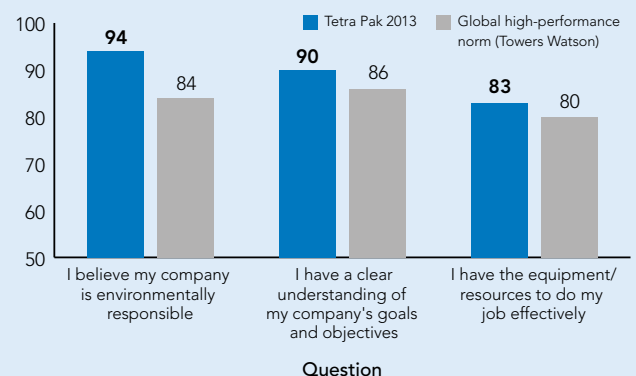


"Like any company, changing business environments require that we drive changes internally to maximise business success. We are therefore pleased to have achieved such a high employee engagement index score against a backdrop of considerable organisational change."

Gabriele Youd, People Development and Resourcing, Tetra Pak

Some of the areas where we exceeded the high-performance norm included:

Employee engagement responses



Nonetheless, our employees also took the opportunity to tell us that we still have opportunities to improve, particularly about how we manage and communicate change, and how we recognise and reward people's contributions on a day-to-day basis. We take this feedback very seriously and will focus on these areas in 2014.

EMPLOYEE TURNOVER

Overall employee turnover at Tetra Pak is low – an average of 7.7% – which is another positive indicator of employee satisfaction and engagement.



Learning and development

We are committed to investing in the development of our people, so that they have the skills needed to achieve our long-term strategic ambitions. At the same time, our development activities reflect prioritised business needs, and the investments we make in this area are appropriately governed, developed, delivered and measured.

THE TETRA PAK ACADEMY

During 2013, we invested in a new learning infrastructure – the Tetra Pak Academy – across the company. This will help to ensure that we provide the right learning to the right target group and at the right time, in a cost-efficient way.

Due to be fully implemented during 2014, the Tetra Pak Academy will make our business-driven learning activities more visible and accessible to all employees, and enable them to be coordinated and managed at a global, functional and local level. It will offer a comprehensive learning portfolio, governed by business objectives and aligned with individual development needs, ensuring our employees have the right technical and leadership competences for the future.

Looking forward, once the Academy is implemented in all business units, we will develop a three-year learning roadmap aligned with our most pressing business challenges to ensure our employee development activities remain focused on key strategic issues.

"Tetra Pak promotes a culture of learning, and we share knowledge and experience as best we can by encouraging close interaction and cross-team job rotations across the business. Interesting and challenging career opportunities allow our employees to reach and use their full potential, and help us to attract and retain the best people."

Ralph Hägg, Vice-President, Tetra Pak Academy

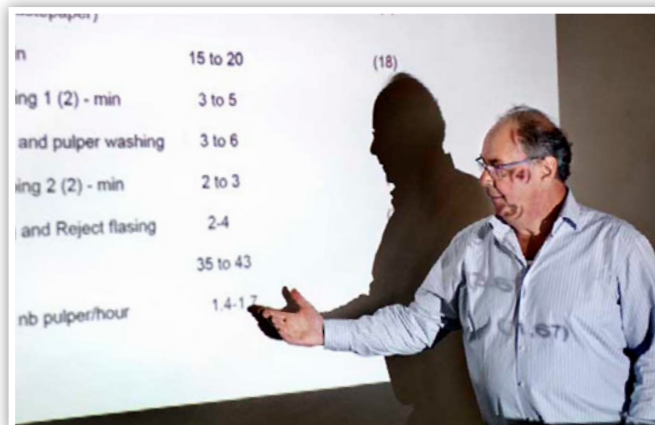
MANAGING PERFORMANCE

To continue delivering innovative solutions for our customers, we proactively develop our employees and offer them inspiring new challenges. Almost all of our employees have individual performance goals and development plans to align corporate and individual objectives, which are agreed in conjunction with managers.

Performance is measured and evaluated regularly through a company-wide review process, and financial incentives are offered for reaching certain goals, including environmental targets such as recycling rates and greenhouse gas emissions.

In our programmes for competence development, we focus on cross-functional, company-wide areas such as customer understanding, quality, leadership, change management and project management, as well as on more functional content areas such as selling service, value selling, and portfolio management and deployment. During 2013 alone, an average of around four days per person were set aside for formal employee training.

In addition, we also encourage and create opportunities for our employees to share knowledge and experience with colleagues in more informal ways (see informal learning, below). In 2013, we also launched a new Leadership Acceleration Programme (LAP) to develop our next generation of top managers while implementing our strategy.



Change management training

Being responsive to change best equips us for future challenges, so we are investing significantly in supporting our employees and managers in their change initiatives. Since it was launched in 2010, almost 500 employees, representing many different business units, have gone through our Change Management programme. In 2014, a further 300 employees from different parts of the organisation are scheduled to attend this programme.

Code of Business Conduct training

Deepening the understanding of our Code of Business Conduct and our environmental management across the business is of high importance to us. An interactive e-learning module focusing on corporate governance has been designed and tested, and will be launched as a mandatory training programme for all Tetra Pak employees during 2014.

Learning and development

INFORMAL LEARNING

As well as undertaking formal training, a fundamental part of employee development at Tetra Pak is learning on the job and being coached by colleagues. For example, our global mentoring programme brings together senior managers with emerging leaders from around the globe, to act as mentors for a year. The programme includes monthly mentoring meetings, job shadowing and participating in projects that allow mentees to widen their experience and network, and learn from our most experienced leaders. We currently have 18 mentor/mentee pairs across the business.

Tetra Pak Academy Online is a virtual learning library with videos, articles and Massive Open Online Courses (MOOCs) from the most reputable thought leaders and business schools in the world today. By giving our employees access to Academy Online, we encourage them to learn in an informal way and to share new insights with peers.

ATTRACTING PROSPECTIVE EMPLOYEES IN SWEDEN

To make ourselves accessible and attractive to prospective employees, Tetra Pak participates in student fairs and lectures, organises competitions and invites selected students for visits. Tetra Pak has continually sought to build long-term relationships with students from all technical universities across Sweden. We also run trainee and student programmes, taking on around 10 graduates and undergraduates each year.

For example, students admitted to our Technical Talent Programme receive a mentor and are guaranteed a summer job until graduation. They join us midway through their five-year education, get the opportunity to participate in different projects across the company and are supported to write their thesis on an aspect of our business.

REWARD AND RECOGNITION

Recognising good work is important to us, and we acknowledge colleagues who make an exceptional difference to both our company and our customers in a number of ways. Read a case story about employee recognition in China.

For example, through our annual Excellence Awards, all employees can nominate a colleague who should be recognised in one of four categories – customer, innovation, operation and leadership. We also present awards for market and factory of the year. Read a case story about our 2013 Leadership Award winner.



4 days

Average amount of formal employee training per year



Health and safety

The health and safety of our employees is a top priority. Occupational Health and Safety (OHS) is a key part of our how we do business and our Core Values guide us towards a responsible approach. We fulfil our 'Freedom and Responsibility' value by providing a safe and healthy working environment that meets all relevant legal and customer requirements, while the value of 'Partnership and Fun' reflects our belief that working as a team is the best way to achieve our aim of zero accidents and work-related illnesses.

OHS GOVERNANCE

Our business is divided into a number of functions and OHS is a key part of the strategy for each. In 2013, following an occupational health and safety review, a more coordinated approach is being implemented across Tetra Pak. Under this more centralised governance structure, each function is now represented in a central OHS working group to deliver co-ordinated improvements, and in an OHS Forum for senior management direction.

Through this new structure, we have created new global guidance documents for workplace transport and the reporting of OHS incidents.

This is the first stage of a project to implement a global OHS management system based on OHSAS 18001, the international standard for operational health and safety management systems. This project is sponsored and steered by members of the Tetra Pak Global Leadership Team.

Nineteen Tetra Pak manufacturing sites have now achieved certification to OHSAS 18001, while a further 12 factories are planning to achieve certification in the coming year. Our market companies in Spain and Italy also achieved certification to the OHSAS 18001 standard, and were our first non-production sites to do so.

"Our 2013 Employee Engagement survey revealed that 91% of employees believe that 'Tetra Pak is committed to ensuring my health and safety at work'. While this feedback is encouraging, we will continue to strive for greater OHS engagement."

Andrew Jones, Corporate Director, Occupational Health & Safety, Tetra Pak

METHODOLOGY

The World Class Manufacturing (WCM) methodology, used throughout our supply chain and manufacturing operations, is based on continuous improvement and incorporates a number of cross-functional teams, including health and safety.

All sites follow a common 'safety route', which sets out a structured process to achieve excellence in health and safety through continuous improvement. Progress along the safety route is monitored at each site through regular audits by WCM champions.

The implementation of WCM is externally audited by the Japanese Institute of Plant Maintenance (JIPM). Virtually all of our sites have been honoured with a JIPM award, and a number have achieved the Advancement Special Award and are working towards 'World Class' accreditation.

OUR PERFORMANCE

Our 34 packaging material factories employ approximately 6,000 employees and continue to show excellent results, such as a 9% year-on-year reduction in their combined Lost Time Accident Rate (LTAR).

In 2013, we are now able to incorporate data from our smaller 'additional material' and 'processing system manufacturing' operations as well, which contributes to an overall LTAR for all manufacturing sites of 4.0. In addition, 15 of our 54 factories were categorised as accident-free during 2013.

Striving for zero accidents entails delivering initiatives to identify and reduce risks and also create a positive culture in which all employees are involved in OHS.

- In Brazil, safety initiatives have included a revised tag-out/lock-out programme, a Safety Week, the introduction of a 'safety minute' at the start of each shift, monthly meetings with contractors, and a new safety behavioural tool.
- At Tetra Pak Jurong in Singapore, weekly safety messages are now sent to all staff, covering best practice examples and advice on how to avoid accidents and incidents, and employees sign a Safety Pledge board as part of their commitment to work safely (pictured).
- Our Arganda factory in Spain, one of 15 accident-free factories in 2013, introduced a newsletter and a safety information board at the site entrance, and soundproofing barriers around certain equipment to reduce noise.
- In 2013, we ran a safety programme in our packaging material (PM) sites to reduce the number of knife cuts, which had been a major cause of injury. The programme focused on identifying the safest type of knife for each area of operation and developed procedures to enable safe practices to be implemented across all PM sites. We saw an 80% reduction in Lost Time Accidents caused by knives during 2013 as a result.



Health and safety

OCCUPATIONAL HEALTH AND WELL-BEING

As our operations take place in many different countries, the potential health issues faced by our employees vary greatly. Over half of our converting factories have full- or part-time doctors, nurses and physiotherapists, ensuring high levels of care even in regions where national healthcare standards are less reliable.

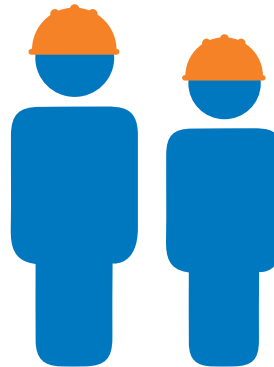
Many sites have programmes that systematically monitor and support employee health and wellness. These vary from market to market, but include hearing and eyesight tests, routine vaccinations, ergonomic risk assessments at work stations, stress management, massages and reflexology, and information about nutrition, healthy lifestyles, and issues associated with alcohol and drugs. We also conduct routine medical examinations of high-risk groups, such as those who work with hazardous chemicals.



In East Africa, for example, Tetra Pak has been hard at work providing helpful advice and support on general health and wellbeing for our employees. Our programme focuses mainly on the prevention of disease; treatment, care and support; and occupational health and safety. Bi-monthly discussions are held to address the needs of employees, workshops are held for teenagers and medical check-ups are conducted routinely. And in Spain, 44 employees signed up to a 'stop smoking' programme in September 2013, and we run campaigns to encourage blood donations, bring a mobile dentist on site and promote participation in a number of different sports.

9%

Reduction in Lost Time Accident Rate in our packaging material factories



Diversity

Respecting and including every individual – regardless of age, gender, ethnicity, nationality or sexuality – is important for several reasons. It engages our workforce, fosters an environment where everyone can reach their full potential and ensures we successfully implement our business strategy. A diverse workforce enhances our ability to understand the different cultures and languages of our customers and consumers.

GENDER BALANCE

Along with many manufacturing companies, we face the important challenge of improving the gender balance within our organisation. At the end of 2013, 23% of the total workforce and 23.5% of our managers were women. A decrease in women at senior management levels to 6.5% is largely due to a reclassification of senior management, and a year-on-year comparison is no longer possible.

The representation of women in our total workforce and at managerial level has improved year on year for the past three years, due in part to our conscious effort to ensure women are given the development opportunities they require to reach leadership positions. Key management processes, such as succession planning, our Leadership Acceleration Programme and our global mentoring programme (see Managing performance), provide these opportunities for women and employees from outside Europe.

We believe our Core Values, along with our Code of Conduct training, promote an inclusive and positive company culture, and contributed to the lack of reported incidents of discrimination during 2013.



OTHER ASPECTS OF DIVERSITY

Our products are sold in more than 170 countries and our employee base is similarly international, giving us a cultural and national diversity that contributes to our success. More than one-third (36.9%) of our top management have non-European backgrounds (2012: 35.5%).

Diversity can also be defined in terms of age distribution. A balanced mix of different generations in the workforce contributes to the competitiveness of a company. Looking at our entire company, Tetra Pak has a balanced and stable age mix across our different businesses and markets.

Case stories

SAFETY EXCELLENCE AWARD IN CHINA

Exemplifying our commitment to OHS across our business, Danone Waters China awarded our Processing Systems business in China with a Quarterly Safety Excellence award in 2013.

Danone continually evaluates the safety performance of all contractors, and ranked Tetra Pak first for safety performance among all suppliers in July, August and September for a processing installation project in Qionglai.



In addition to joining Danone's daily safety meetings, our processing team in China invited Danone's safety officer to attend its weekly meeting to discuss the safety challenges and follow-up actions. We also managed risk through

a combination of daily site inspections, permits to work (for example when working at height, in confined spaces, and with heat and flammable materials), induction training, safety signage and daily 'tool box' talks.

EMPLOYEE RECOGNITION IN CHINA

Retaining employees in an environment where there is fierce competition for skilled workers requires more ongoing recognition for those who go the extra mile than just our six global awards.

Employees who go above and beyond expectations in their daily work can be nominated for a Spontaneous Award, which highlights behaviours such as accountability, teamwork and innovation.

At any time, a dedicated employee in Tetra Pak China might get some form of recognition, such as a thank-you card from a manager or co-worker for making progress or reaching a project milestone.



Special contributions in their own function might result in a nomination for a 'functional yearly recognition' while 10 years in the company, and every fifth anniversary thereafter, results in a Long Service Award.

CONNECTING LEADERSHIP WITH STRATEGY



During 2013, we launched a new Leadership Acceleration Programme (LAP) to develop our next generation of top managers while driving the implementation of our strategy.

LAP is designed to give our future leaders the

insights and tools they need to harness their full leadership potential and further develop their leadership competence. It is also a unique opportunity to build a solid network of contacts, become more self-aware and reflective, and dare to think differently for the benefit of the whole company.

After an initial 360° assessment, the 26 nominated participants went to Lund, Sweden, for a week of lectures and presentations on leadership, change, innovation and strategy from internal and external leaders, including the CEO of Tetra Pak. Sponsored by senior business leaders, they then undertook team projects over a two-month period. After a practical, fact-finding fieldtrip to different markets, they worked together in small groups before a final week of working sessions, training and a presentation to our Global Leadership Team in France.

Most participants changed roles just before, during or after the programme, giving them the opportunity to put into practice what they had learned, be it as senior professionals or as leaders.

The overall feedback about the programme's impact has been very positive, both from participants and senior management, and it was given an average score of 4.9 out of 5 by those on the course.

"Being a part of LAP gives you an invaluable opportunity to stop the everyday 'spinning wheel' for a while and take the time to reflect. It took me back to the feeling I had as a student of 'the sky's the limit' and the idea that we all can change things if we believe in them, think creatively and stay focused. One of the key lessons I took from the programme is to never stop 'turning the stone around' – to keep looking at a challenge from new angles. By daring to challenge the norm, we will find new ways to grow our business."

Therese Rosic, Maintenance Services Business Development Manager, Tetra Pak

"LAP is more than training, it's a game changer, both for professional and personal life. Through this accelerated journey, I learnt a lot about myself: how to lead a team of really strong and opinionated leaders; how to prioritise and delegate; how to combat stress; how to see the big picture without missing the important details; and how to think big and still make it happen. I also learnt a lot more about the business challenges we face and the complexity we deal with every day. For me, it confirms that Tetra Pak believes in its people above all else."

Stefania Pertusi, Product Director Packaging Material, M&PM, Tetra Pak

During 2014, we will run LAP again with 35 participants representing 20 nationalities and all functions in the company.

Case stories

LEADERSHIP EXCELLENCE AWARD WINNER

Our 2013 Leadership Excellence award was presented to Charles Posey, Vice President – Packaging Material Supply Chain for our North and Central & South America clusters, for his exemplary people skills and natural capacity to unite a team around a shared vision in pursuit of a common goal.

According to his nomination, Charles is recognised as a leader with an extraordinary ability to drive change, demonstrating the charisma, character and compassion needed through times of transition or turbulence. He creates collaborative communities and leads his team with integrity, loyalty and professionalism.

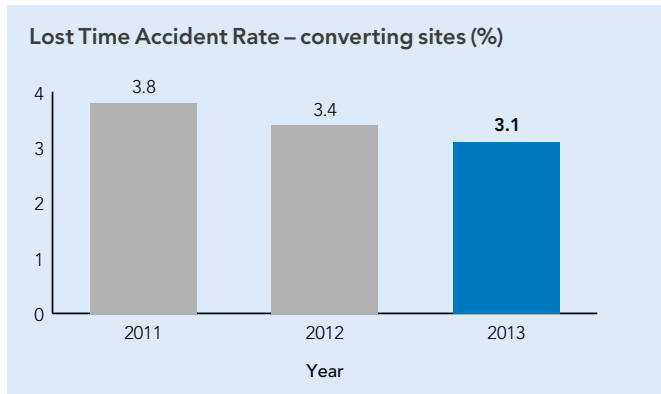
Charles himself believes that:

"In a high-performing company like Tetra Pak, engagement is the key to sustainable success. Our company's values and culture create the perfect conditions to deliver engagement. Our leaders are responsible for creating the right conversations with people and providing the space for discovery. This important dialogue helps create ownership and inspiration. By ensuring environments that positively challenge us, we promote self-confidence and personal growth."



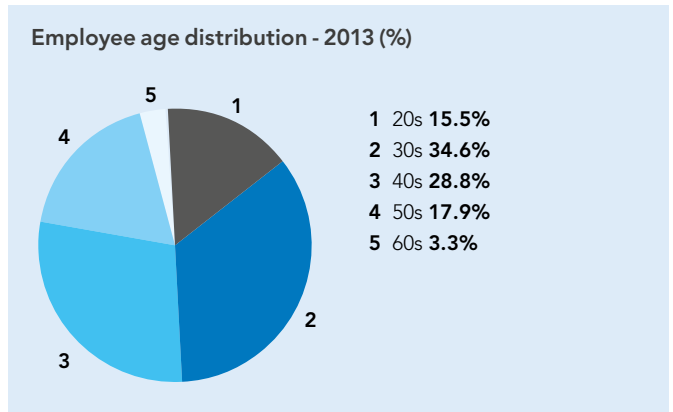
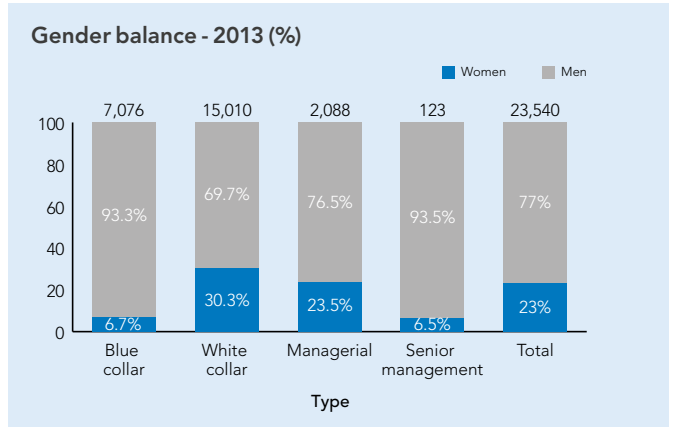
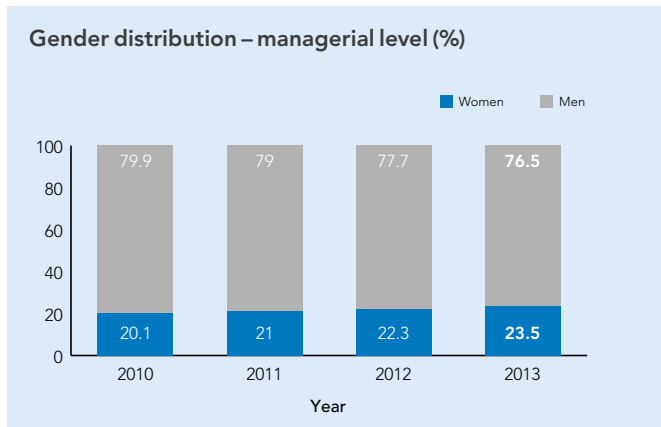
Employee performance data

HEALTH AND SAFETY



* Based on the number of lost days per million working hours

DIVERSITY



Our suppliers

We believe that long-term relationships with key suppliers, founded on trust and mutual benefits, are vital to our ongoing success. We therefore aim to foster a spirit of open communication and teamwork, and work with our suppliers so that we consistently meet and exceed our customers' expectations of quality, cost and timely delivery. Our own high environmental and social standards are laid out in our Business Code of Conduct for Suppliers, which helps us to drive responsibility throughout our supply chain.

MEETING OUR HIGH STANDARDS

At Tetra Pak, we recognise the mutual benefits of long-term relationships with our key suppliers. Working closely with them helps to reduce negative impacts across the value chain, drive innovation, strengthen competitiveness and deliver sustainable, shared value.

Since 2011, all our suppliers have been required to sign and adhere to the terms set out in our Business Code of Conduct for Suppliers. This commits them to high standards of performance for safe and healthy working conditions, human rights and environmental matters, as defined by the UN Global Compact.

We always work closely with suppliers to encourage development if areas for improvement become apparent, but continuing to not meet the criteria could eventually mean losing our business.

STRATEGIC PARTNERS

All of our base materials – paperboard, polymers, aluminium foil and ink – come from carefully selected global suppliers. We view these select few as key strategic partners in innovation as we work towards meeting our objectives on renewability, responsible procurement and reducing climate impact.

Working in direct partnership with our suppliers is a big opportunity to drive responsible sourcing. This reduces risks and enhances performance. All our purchasing decisions are guided by our Purchasing and Supplier Management Policy.

Every year, we evaluate our suppliers' operations and environmental performance through audits and self-assessments.

We expect our paperboard suppliers to maintain management systems, supply data and certify operations to recognised standards like those of FSC™. All our global suppliers of paperboard are FSC™ certified.

RESPONSIBLE SOURCING OF LIQUID PACKAGING BOARD

The paper quality used in our beverage cartons, Liquid Packaging Board (LPB), is one of the most technically demanding paper qualities in the marketplace. We are committed to purchasing it from Forest Stewardship Council™ (FSC™) Chain of Custody certified suppliers. By 2015, we want to ensure this happens for all the LPB we buy. Over 90% of the paperboard we purchased in 2013 came from FSC™ Chain of Custody certified suppliers: 41% as 'FSC™ certified' and 50% as 'Controlled Wood'.



FURTHER INFORMATION

UN Global Compact



Our communities

Our philosophy is to take a responsible and active part in the communities in which we operate, making us better able to understand and meet their needs, while developing new business opportunities for Tetra Pak. This 'shared value' can be seen in terms of creating economic prosperity, improving nutrition and quality of life, developing local suppliers, engaging community stakeholders to build recycling infrastructure, and helping consumers to reduce their environmental impact. And thanks to our aseptic packaging technology, we are also able to support the distribution of emergency water and food to local communities after natural disasters.

OUR STRENGTHS

We act as a catalyst to bring different stakeholders together to create new solutions, while our global reach enables us to share the lessons learned in one location with another.

Our aseptic technology and expertise in food safety allow nutritious food to be delivered safely without chilled transportation. And our significant experience and long-standing presence in many markets, supported by strong relationships with a broad network of private and public partner organisations, also contribute to the development of communities around the world.

These strengths combine to:

- create school feeding programmes, which contribute to education around the world
- support local farmers and food production through Dairy Hubs
- improve the infrastructure needed for the recycling of used packages.

Through education and information, we engage and empower students and consumers to make informed choices, and in the aftermath of natural disasters, we have been able to support the distribution of water and food, helping to save lives.

APPRENTICESHIP PROGRAMMES

To grow the local economy in the communities in which we work, enhance our reputation as an employer of choice and develop a future talent pipeline, we work with local stakeholders to attract apprentices. In Brazil, for example, our apprenticeship scheme is run in collaboration with the educational institute Instituto Promoção Menor de Sumaré and the NGO Novo Dia.

Many apprentices and trainees have not previously had a formal education but by giving them industry experience, we help them to enhance their transferable skills in areas including time management, business writing, health and safety, project management, presentations and interviews. We also offer mentoring and host workshops to help apprentices make informed career decisions and become positive role models, inspiring more young people to work.



EDUCATING CONSUMERS

We also see it as our responsibility to educate and engage consumers about how they can contribute to make a positive difference. Consumers have huge potential to influence, both in terms of making active purchasing choices and by doing their bit when the products have been consumed by recycling the used packages. Together with local communities and our customers, we carry out educational activities in schools, focusing on environmental awareness and recycling.

Consumer involvement is essential to increase recycling of our used cartons. Tetra Pak in Brazil, for example, used Google Maps to make a recycling map, so that local consumers can find information about where to drop off their recyclables and so help increase recycling rates.

In Turkey, Tetra Pak launched and is expanding Little Things That Renew Nature, an environmental education programme for school children.

Our communities

EMERGENCY FOOD AVAILABILITY

As a global company with an integrated value chain approach, it's natural for us to use our logistics expertise, distribution systems and strategic partnerships with local NGOs, customers and other stakeholders to contribute when communities need it most – such as after natural catastrophes.

The Tetra Laval Group remains committed to providing funding for disaster relief, but it is our long-standing relationships with the communities in which we operate that enable us to support efforts on the ground. With operations in more than 170 countries, it's likely that either Tetra Pak or one of our partners is close to the scene and able to respond rapidly.

When disaster strikes and infrastructure fails, getting medicines, food and water to where they are urgently needed becomes the top priority. We first look to our own value chain to provide donations in kind, and because our aseptic technology allows food to be delivered safely without chilled transportation, we have been able to support the distribution of water and food in the aftermath of earthquakes, floods and droughts, helping to save many lives.

HELPING TYPHOON VICTIMS IN THE PHILIPPINES

In November 2013, after typhoon Haiyan hit the Philippines with devastating effects, the Tetra Laval Board made a contribution of USD 5 million to be used by the Red Cross in its relief efforts and to secure supply and distribution of milk and water to those affected. Working with the Philippine Red Cross and Children's Hour, 11 areas in Visayas were identified for UHT milk distribution. The first batch was distributed in December 2013, to a tent city housing evacuated typhoon victims in Manila, and we expect to distribute 1.2 million packs to almost 46,000 families in the affected areas.

OTHER DONATIONS

Most charitable donations and contributions to relief projects are made through our parent company, Tetra Laval.

For example, in 2013, EUR 250,000 was donated to Hand-in-Hand, the international non-profit organisation that aims to reduce poverty through job creation. Hand-in-Hand projects cover social mobilisation, business training and access to micro-credits to create new jobs.

We also donated EUR 150,000 to Caritas for a project in Kenya. Caritas is committed to analysing and fighting poverty and social exclusion as well as promoting human development, social justice and sustainable social systems.

Tetra Laval is also a partner to Mentor, a leading international NGO fighting drug use and substance abuse throughout the world, and FoodBank in Australia, a non-profit organisation that acts as a pantry to charities and community groups who feed the hungry with the food industry's surplus food.

4 billion

Increase in the number of packages recycled last year



Protecting futures

The Tetra Pak brand is founded on a promise to PROTECT WHAT'S GOOD.

As well as protecting food and people, we also want to play an active role in shaping a better future throughout our whole value chain. This ranges from the health of the environment on which all our futures rely to the long-term success of our customers' businesses as they play a vital role in providing nutritious and essential foods to people all over the world.



Environmental excellence

Respecting the environment has always been a hallmark of the company. The challenges involved in reducing the environmental footprint across the value chain and innovating to meet demands for more environmentally sustainable food processing and packaging solutions are critical to our future success, and that of our customers. For this reason, we have made environmental excellence one of our four strategic priorities.

Responsible sourcing

The responsible sourcing of raw materials is essential to developing products with as little impact as possible throughout their life cycle. We believe that renewable resources are the only long-term alternative so, together with suppliers, customers and other stakeholders, we are increasing our use of certified paperboard, leading the industry in the use of bio-based plastics. We are also helping to create a standard for responsible aluminium sourcing.

Our customers

We have the insight and expertise to deliver superior performance, competitive advantage, value for money and peace of mind for our customers. We do this through innovative packaging design, which enables our customers to reach consumers with different needs in every corner of the world, providing high functionality and a low environmental footprint. Our processing and filling solutions help customers drive operational performance while reducing their environmental footprint and costs.

Environmental excellence

Respecting the environment has always been a hallmark of the company. But the challenge of minimising the pressures on natural resources, reducing the environmental footprint across the value chain and innovating to meet demands for more environmentally sustainable food processing and packaging solutions is so critical to our future success, and that of our customers, that we have made environmental excellence one of four strategic priorities.

THE CONTEXT

The world's population is growing. By 2050, the number of people living on this planet is expected to reach 9.6 billion. Global demand for food will be significantly higher than today, putting natural resources such as energy, water and land under a great deal of strain – both in terms of cost and security of supply. While resources and land become scarcer, an emerging middle class in developing markets is demanding more packaged food.

And in turn, there is a rise in consumer expectations of packaging to keep products – particularly food and beverages – safe and healthy, and for differentiated, high-quality products with clear nutritional value. So how do we best meet growing demand while dealing with pressures on natural resources?

DRIVING ENVIRONMENTAL EXCELLENCE

Our promise, to PROTECT WHAT'S GOOD, relates not just to ensuring the safety of the food we eat and drink, but also to minimising our impact on the environment too. 'Drive environmental excellence' is one of our strategic priorities for 2020 and beyond.

Our ultimate vision is to provide fully sustainable packaging, using only renewable materials and leaving a minimal environmental footprint and zero waste.

"Achieving environmental excellence is part of the company's strategy towards 2020 because we believe it is crucial for our company's future business success and to deliver on our customers' high expectations. We drive environmental performance in every step of our operations, from sourcing and the development of processing and packaging systems, to services and support provided to customers. This is the very reason that we have continued to be successful in meeting ambitious targets."

Claes Du Rietz, Vice President – Environment, Tetra Pak

We have a long history of mapping, monitoring and managing the environmental impacts from our operations and our products, in line with evolving public concerns and stakeholder demands. For more than two decades, we have used life cycle assessments (LCAs) and other methodologies to ensure a holistic approach that focuses on what's most important throughout the whole life of our products to minimise their environment footprint.

REDUCING OUR COLLECTIVE IMPACT

As the world's largest food processing and packaging company, we can help our customers to process, package, distribute and store food and drink products safely, while reducing our collective impact on the environment.

The easy solution would be to take care of our own environmental footprint. But we truly believe that we must make a difference throughout our whole value chain. Therefore, we believe we are responsible for sourcing the materials we need as sustainably as possible. We are committed to reduce our climate impact – not only in our own operations but also from our suppliers' and customers' operations – by ensuring our packages are recycled and not turned into landfill waste.

In addition, we continuously work to reduce the amount of energy, water and waste we consume, both in our own operations and through the impact our processing and filling machines have when operating at our customers' sites. We are convinced that making our environment footprint smaller is important for our business, and for our customers' competitiveness.

PROGRESS TOWARDS OUR OBJECTIVES

Our environmental strategy has three main objectives, all of which require a value chain approach: developing sustainable products, reducing our environmental footprint across the value chain and increasing recycling.



In 2013, we have made strong progress towards these objectives:

Reduce our environmental footprint across the value chain

- Since 2010, we have reduced the climate emissions from our own operations by 2,000 tons CO₂e, while achieving 12% growth in packaging production.
- We launched a number of equipment and service innovations to help our customers in reducing their environmental footprint.

Develop sustainable products

- The share of the paperboard we used that was FSC™ certified rose to 41%.
- 32 billion Tetra Pak packages carried the FSC™ label in 60 countries.
- We sold 1.1 billion packages with bio-based caps, almost doubling the 2012 figure.

Increase recycling

- The recycling rate of Tetra Pak packages in 2013 reached 24.5% – the equivalent of 43 billion recycled cartons worldwide.

Environmental excellence

2020 GOALS*

- **Cap climate impact across the value chain**

This means growing our business, but not our carbon emissions.

- **40% recycling rate of used beverage cartons**

This means we need to double our recycling rate.

* 2010 baseline

24.5%

Global recycling rate of Tetra Pak packages.



COLLABORATING AND INNOVATING

To create positive change, we work with customers, suppliers, NGOs and other stakeholders to find new ways to process, package and distribute food. Our ambitions address the whole value chain, and through collaboration with stakeholders, we are defining the scope and baselines for our key performance indicators, and successfully implementing improvements.

To ensure we drive environmental excellence and create value both in the short and long term, we take advice from knowledgeable partners, and share our own experiences, through proactive partnerships with organisations including the World Resource Institute, Forest Stewardship Council™ and Aluminium Stewardship Initiative.

We have also financed the development of the WWF's 'forest integrity' tool, which easily enables foresters to assess the biodiversity within a forest. It has been successfully trialled in the United States and Latin America.

Managing our climate impact

Tetra Pak protects what's good. Leading a design tradition of optimising the use of materials, resources and space, we help reduce climate impact by making sure food, which otherwise could easily go to waste, is effectively processed and packaged. Package by package, litre by litre, less food gets wasted. Fewer trucks are needed and fewer resources are used. With our 2020 climate goal, we drive things further: taking responsibility for the climate impact across our entire value chain.

BUSINESS GROWTH AND REDUCED IMPACT

Our climate goal is part of Tetra Pak's strategic priority to drive environmental excellence. The goal, to cap climate impact by 2020 at 2010 levels despite business growth, means we should grow our business, not our climate impact.

- Capping our climate impact means that we should continue to grow our business, but our total greenhouse gas emissions should not exceed 2010 levels in 2020. This means that the effect our business has on the climate should not increase during this decade.
- Doing so across the value chain means that we are not only looking at Tetra Pak and our own operations. We are looking at the combined emissions of everything we buy from our suppliers, what we produce ourselves, how our products are used by our customers, and how our used beverage cartons are taken care of after consumption. We want to cap all the impact our company has on the climate from raw materials to end-of-life of our products.

It may seem a daunting task, but we have successfully worked with climate goals before. Between 2005 and 2010, we managed to reduce the absolute emissions from Tetra Pak's own operations by 13% while our business grew by 23% over the same period. Scaling up the climate goal to include our value chain presents more challenges, but also greater opportunities.

REDUCE ENVIRONMENTAL FOOTPRINT ACROSS THE VALUE CHAIN

Drive use of sustainable materials

Minimise impact from operations

Support customers to reduce impact

INFLUENCING THE INDUSTRY

Reaching our 2020 climate goal requires collaboration.

To take full responsibility for the carbon footprint from our packages, equipment and our whole business, we need to realise that more than 80% of the carbon emissions related to our products actually come from our suppliers in the production of raw materials and from our customers' sites when they use our processing and packaging equipment.

Despite the fact that the impact from our own operations is relatively small (about 5%), the decisions we take in our company will influence the emissions from the whole value chain. For example:

- our packaging materials specifications influence how and what we will source from our suppliers
- the waste rates from our own production, and those of our customers, will impact the amount of materials we need to purchase

- the efficiency of the packaging and processing equipment we sell will significantly impact the emissions from our customers' operations
- the rate of recycling will influence emissions from the end-of-life of our packages.

So even if the impact from our own operations seems small, our influence is not. The decisions we make have a big impact across the whole value chain.

MANAGEMENT SUPPORT TOOL FOR 'CLIMATE-CONSCIOUS' DECISIONS

To create a proactive approach to reaching our climate goal, we needed to complement our greenhouse gas accounting with a management support tool. To do this, in 2013, we initiated a project to enable 'climate-conscious' decisions and create a consolidated view of how to achieve our climate goal.

One outcome from this project was the creation of a forward-looking management support tool with climate Key Performance Indicators (KPIs) identified and tracked across the whole company. The system shows how our daily operations and annual plans will affect the outcome of our climate goal. We can calculate how business decisions will affect the goal and make our decisions accordingly. This new management support tool has been sanctioned by senior management and will be implemented during 2014.

MEASURING THE IMPACT

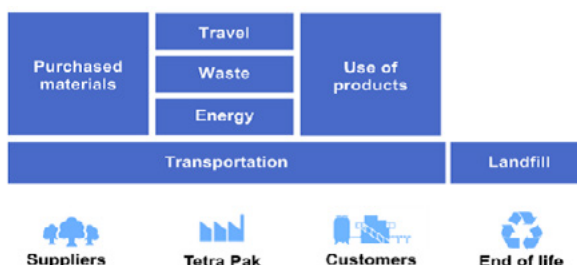
Tetra Pak has a long history of mitigating greenhouse gas emissions. Since 1998, we have been collecting greenhouse gas data from the different parts of our organisation on an annual basis, and consolidating the information in a central database. The data is compiled to provide the total emission inventory to follow up on our greenhouse gas targets.

To ensure we have comprehensive and comparable figures, we base our accounting on the guidelines of the Greenhouse Gas Protocol (GHG Protocol), widely acknowledged as the leading methodology for greenhouse gas management. We are also having our results assessed and verified by a third party.

According to the GHG Protocol, greenhouse gas emissions are divided in three different Scopes. We report on our emissions in all three:

- **Scope 1:** Direct emissions from our own operations, mainly the combustion of fuels
- **Scope 2:** Indirect emissions related to purchased electricity, heat, steam or cooling
- **Scope 3:** Indirect emissions in our value chain from sources not owned or controlled by Tetra Pak.

This covers the total climate impact caused by the sourcing, production, use and disposal of our products, embracing our suppliers, our customers and our recyclers, as well as our own operations.



Managing our climate impact

In addition to internal follow-up, we have also disclosed our climate performance and progress toward the target through the CDP's (previously known as the Carbon Disclosure Project) global reporting system, and have received high scores for performance and disclosure rates.

In 2013, Tetra Pak improved its CDP reporting score from 77 to 91, which is considered very high, compared to an industry average of 49.

PROGRESS TOWARDS OUR CLIMATE GOAL

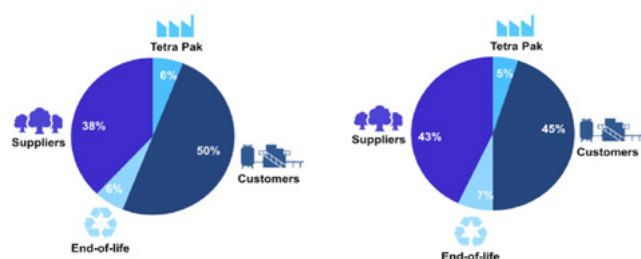
2010 baseline

Taking the whole value chain into account and quantifying the different impacts and potential impacts is challenging work, requiring cooperation and involvement with many actors. Therefore, during 2011 and 2012, we concentrated on establishing comparable figures and defining the boundaries and baseline for our 2020 target.

A key milestone was reached in 2013 with the finalisation and third-party verification of our 2010 baseline, covering the carbon emissions across the entire value chain. This work was done in cooperation with partners like the World Resource Institute (WRI).

2013 results

2013 was the first year that we measured our full value chain performance against our 2010 baseline, and we are pleased to see an early positive trend.



2010 - Total CO₂e (baseline):
13,055 ktonnes

2013 - Total CO₂e: 12,070 ktonnes

Both our 2010 baseline and the 2013 results have been verified by a third party, Ecofys.

"Tetra Pak is one of the first companies that I have worked with which has systematically mapped its full value chain climate impact, calculated the associated carbon (Scope 3) emissions using a well-developed calculation method, and set a very ambitious full supply chain climate goal."

Caspar Noach, Ecofys

This positive trend has been achieved through our continuous work on reducing the environmental footprint across our value chain – see below.

OUR SUPPLIERS

The sustainable sourcing of raw materials is a critical part of the equation, which is why we work with our suppliers to identify opportunities to cut energy losses and make the supply chain more efficient. In an integrated value chain, customers and suppliers must work closely together to reduce end-to-end impacts.

Our base materials – paperboard, polymers, aluminium and ink – come from carefully selected global suppliers. We see them as key strategic partners in meeting our goals, for example on Forest Stewardship Council™ (FSC™) certification and responsible aluminium procurement, as well as reducing climate impact.

Environmental evaluation

Suppliers of our base materials are required to report on their climate performance and commit to continuous improvement. Every year, we evaluate their operations and environmental performance, including greenhouse gas emissions, and adjust targets and parameters in line with our strategic priorities.

Increasing renewable energy

In cooperation with our suppliers, we have identified a number of areas with the potential to increase the use of renewable energy. One example of this is in the production of bio-based plastics, where by-products from the process can be used as renewable energy sources.

OUR OWN OPERATIONS

Climate targets for every production site

Every year, each production plant reports on agreed environmental measures such as chemicals use and water consumption, as well as emissions and waste. Energy consumption and climate performance figures are compiled quarterly.

World Class Manufacturing to cut losses

Using World Class Manufacturing (WCM) helps us to remove all kinds of losses across our operations. By avoiding losses of water and energy, and reducing waste, we automatically reduce our environmental impact. Through WCM, every plant has dedicated teams focusing on each part of the operations and driving improvement. Best practices to increase efficiency in each production plant are collected centrally and shared to drive continuous improvement across our operations and shape the planning of new factories.

ENERGY EFFICIENCY

We work continuously to improve energy efficiency and use external energy experts to audit several of our factories each year. These audits help identify opportunities for efficiency gains and reduced energy use. Both short- and long-term energy savings are targeted and we share lessons across the organisation.

A key focus is the process of converting paperboard, aluminium foil and polymers into packaging material, since packaging material production currently accounts for about 80% of our operational greenhouse gas emissions (Scopes 1, 2 and 3). Another is controlling heat in extruders and laminators, which consumes in the region of 70–80% of the electricity used in a converting line.

Renewable energy

Where available, we prioritise buying energy from renewable sources such as wind-generated electricity. Since 2005, our purchases of renewable energy have resulted in avoided emissions equal to 361 ktonnes of CO₂e. This is approximately the amount of CO₂e emitted from our packaging material production each year (337 ktonnes in 2013). Avoided emissions are always reported separately and not deducted from our total greenhouse gas results.

Managing our climate impact

Transport and travel

In a market where global reach is a key asset, Tetra Laval Group's Transport and Travel team plays a vital role in making sure our people and products are in the right place at the right time.

As well as people, we move products such as packaging material to our converting factories and capital equipment to our customers. For outbound shipments of packaging material, our supplier is able to track greenhouse gas emissions using a centralised system, Logistics Control Tower. Emissions are minimised by avoiding air transport, using rail where possible and consolidating shipments. Between 2010 and 2013, we reduced emissions from travel by around 60%. We continue working to reduce our emissions with different methods including video-conferencing systems and smart travel procedures. We expect to reduce travel by an additional 10% in 2014.

Together with more than 30 other companies, we are also collaborating on the Clean Shipping Network, assessing the environmental performance of ocean freight carriers and encouraging them to improve.

OUR CUSTOMERS

Many of our customers have set ambitious environmental targets and expect Tetra Pak to contribute to these. We support our customers to reduce their carbon footprint and costs in different ways. We create and provide more efficient processing and filling solutions, and develop services to reduce energy consumption, water consumption, waste and food loss at our customers' sites.

For example, our most energy-efficient filling equipment uses less than a third of the energy of a standard line from the mid-1990s and, since 2000, we have halved the water consumption of filling machines (see case stories).

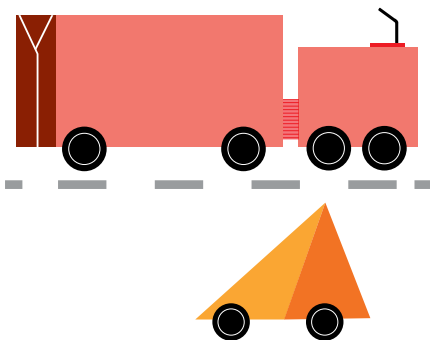
REPORTING PRINCIPLES

The following reporting principles are used to facilitate a clear interpretation of our performance data:

- Absolute annual data is presented for all parameters. For selected parameters, an eco-efficiency indicator is also presented. Eco-efficiency indicators reflect environmental impact in relation to, for example, production volume.
- Previous years' data have been corrected where sites report corrections to historic data. This improves data quality and provides more meaningful comparisons between years. Consequently, data presented in previous reports may differ from data in this report.
- GHG accounting and reporting of GHG emissions follows the reporting principles of the GHG Protocol developed by the World Resource Institute and the World Business Council on Sustainable Development. As defined in the GHG Protocol standards for corporate and Scope 3 accounting and reporting, we have developed a recalculation policy that articulates the basis for any recalculations of our base year GHG inventory. Results presented in previous reports may therefore differ from those presented in this report.

2020 climate goal

Our 2020 climate goal is to cap climate impact at 2010 levels, despite business growth.



Reducing our environmental footprint

Another focus area for us is striving for environmental excellence in our own operations. The two main causes of climate impact from our business are energy use and material waste, so we are working to use less energy, and to minimise the waste we generate.

OUR OBJECTIVE

We are committed to developing, designing and conducting our operations in a manner that minimises environmental impacts, promotes the efficient use of resources, reduces our contribution to climate change and manages waste properly. This includes maximising the recycling of factory waste.

MANAGING OUR IMPACT

We use environmental management systems to assess and manage the environmental impacts of our activities, as we seek to make continuous progress towards our environmental goals.

At the end of 2013, 94% of our factories were certified according to the environmental management standard ISO 14001, with certification in progress for the remaining 6%. We are also in the process of certifying our product development organisation according to ISO 14001.

The environment forms part of our overarching system for continuous improvement, World Class Manufacturing (WCM). Our WCM Environmental Pillars, with dedicated teams working on environmental compliance and improvements, drive locally identified actions. Key areas for improvement are energy and material waste reduction, as they are the main contributors to our factories' climate impact.

Once identified, best practices are shared with colleagues in other factories through the central WCM Environmental Pillar team. This ensures that we can drive continuous improvement and shape the factories of tomorrow.

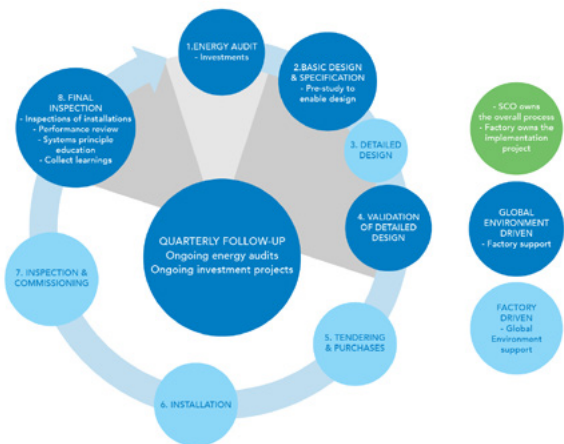
Energy efficiency

Energy use is one of the main contributors to climate impact and a cost generated from our operations, so we use energy audits to identify energy-saving possibilities across our operations.

Through an extensive audit programme, the majority of our packaging material converting factories around the world have been assessed by external experts. The auditors suggest ways to reduce energy use both through simple, low-cost solutions and more advanced installations requiring substantial investments. Savings in the range of 10–12% have been identified through these audits and suggestions. During 2014 and 2015, we will focus on the implementation of the identified improvement measures.

In addition, the findings from the audits performed to date have been compiled into a best-practice guidance information kit, related to heating and cooling, ventilation and compressed air use. The material is shared through the WCM Environment Pillars and our entire factory workforce received training on energy-saving opportunities via video conference during the first half of 2014.

ENERGY AUDIT AND IMPLEMENTATION PROJECT MAIN PROCESS STEPS FOR SECURING ENERGY SAVING POTENTIAL



CLIMATE AND OUR OPERATIONS

Our climate goal encompasses our full value chain. Regarding our own operations, we already have a good track record. We met our previous goal by reducing absolute emissions from our own operations by 13% while business grew by 23% between 2005 and 2010. And since 2010, Tetra Pak has reduced emissions from its own operations by 2,000 tons of CO₂e while achieving a 12.6% growth in the production of packaging materials.

In 2014, we introduced a climate efficiency Key Performance Indicator (KPI) for our factories producing packaging material and openings.

Renewable energy

Where available and feasible, we purchase energy from renewable sources, such as wind or solar power. For example, when building our Hohhot factory in China in 2007, calculations based on production estimates and electricity grid factors suggested that this factory alone would increase our total emissions by about 6%. However, there was a wind farm already in the area, so our factory agreed to source 100% of its electricity from this wind farm. Now the factory runs entirely on renewable energy from wind power.

Waste

Over the years, we have made a considerable effort to reduce waste at our factories. By working systematically through our World Class Manufacturing process, benchmarking against the top performing sites across the company, creating improvement teams and applying the resulting knowledge systematically, we have achieved significant waste reductions. In some cases, technology updates and training have also had significant impacts on the reduction of waste in our operations.

Reducing our environmental footprint

Chemicals and hazardous waste

Any management of hazardous waste is handled according to local law and best practice. We apply the precautionary principle throughout our operations, which helps us choose whether an action should, or should not be implemented before the risks are evident with certainty. Tetra Pak sites, including converting and other production sites, also have obligations under EU REACH regulations. Tetra Pak has implemented the REACH Regulation that entered into force on 1 June 2007 and we continuously ensure that our business, and the materials we use, are REACH compliant. During 2013, staff responsible for chemicals at all sites were trained on the demands that the REACH regulation puts on their different activities.

PRECAUTIONARY APPROACH

Any management of hazardous waste is handled according to local law and best practice. We apply the precautionary principle throughout our operations, which helps us to choose whether an action should or should not be implemented before the risks are evident with certainty. One of the most important applications of this principle is in developing new materials and products. One example of its application is our development of new sterilisation techniques, which reduce the need for chemicals in the cleaning of our equipment.

Water

The amount of water used in our packaging material and additional material production sites is modest and, for this reason, we focus less on water than on energy and waste in our own sites.

However, water is one of our global significant environmental aspects, mainly due to the amount of water used by our equipment at customer sites. Read a case story on how our Tetra Therm® Aseptic Flex processing unit is helping our customers save energy and reduce waste.

REPORTING OUR ENVIRONMENTAL PERFORMANCE

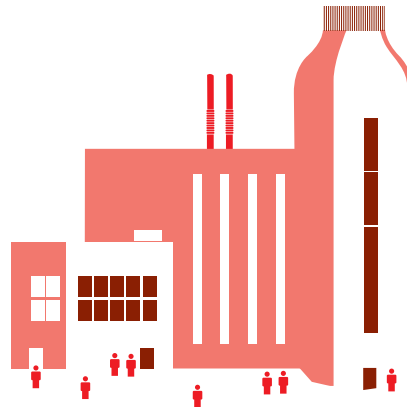
Every year, each of our production plants reports against agreed environmental indicators such as chemicals use, water consumption, emissions and waste, while energy use figures are compiled quarterly. We also publicly report the progress of our climate programme through CDP.

Some examples of improvements include:

- Rubiera, Italy: introduced 'free cooling' in the factory, which helped to reduce cooling energy consumption by 15%
- Denton, USA: reduced electricity costs for its compressor by 40%
- Limburg, Germany: certified to ISO 50001
- Chankan, India: received a Platinum certificate from the Indian Green Building Council for its buildings (read a case story).

94%

Factories certified according to the environmental management standard ISO 14001



Recycling

Tetra Pak does not own or operate collection or recycling services so recycling is not our business – but it's our business to make the recycling of used beverage cartons work, so that more of our used cartons can be turned into assets. Working with stakeholders along the recycling value chain, we act as a catalyst to make recycling happen, from the development of collection infrastructure and recycling capacity for all the materials in our packages to engaging consumers.

WHY RECYCLE?

Used beverage cartons are not waste. The different layers of the aseptic carton – paper fibres, polymers and aluminium – can all be recycled using relatively simple techniques, to be given a new lease of life and turned into a new product.

Recycling is important for the environment in several ways. By recycling, landfill of the material is avoided, and by reusing the raw materials, the need for new resources is reduced. Generally, it is also less energy intensive to reuse raw materials than to extract them.

We always consider the broader impact that our operations have on the environment and society, and strongly believe that our responsibility doesn't end when we sell our packaging material. Tetra Pak does not own or operate any recycling plants and does not profit directly when our cartons are broken down into their component parts. However, we believe society cannot afford to throw away valuable resources. Recycling is therefore an investment in our future, and we promote our used beverage cartons as a valuable source of raw materials to all our stakeholders.

LCA SHOWS THAT RECYCLING BEVERAGE CARTONS IS BEST FOR THE ENVIRONMENT

According to a life cycle analysis (LCA) presented in June 2013 by Tetra Pak together with IVL, the Swedish Environmental Research Institute and WWF, recycling beverage cartons is best for the environment. The alternative is to incinerate used cartons and recover energy from the process, but the study showed that the environmental benefits are greater if the beverage cartons are recycled into new products to make use of their material components.

The aim of the study was to increase awareness about which method of recovery is the most resource-efficient and the results showed that material recycling saves more energy. Recycling is already better from a climate perspective, and the benefits will only increase as the proportion of renewable energy used increases in Sweden.

PROGRESS TOWARDS OUR GOAL

To achieve our global recycling goal – to double the recycling rate of our post-consumer beverage cartons to 40% by 2020 – we will need to triple the number of recycled cartons, to about 100 billion a year, by the end of the decade. To do this, we need to improve the recyclability of our products and increase the rates of recycling at a global level by focusing on raising consumer awareness, sharing knowledge and expertise, facilitating collection infrastructure and supporting recycling technology development.

INCREASE RECYCLING

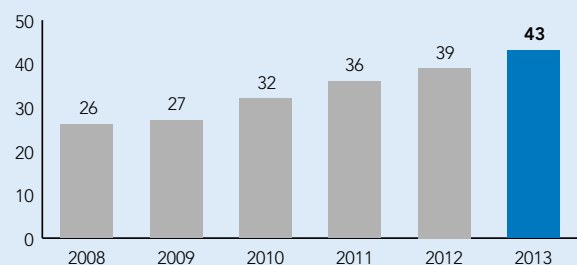
Improve recyclability

Increase recycling rate

Working towards the goal will benefit society by reducing the strain on natural resources and increase our long-term competitiveness.

We've been working to increase recycling for many years. The volume of recycled cartons has more than doubled in the last 10 years, and shows a 7% increase by volume between 2012 and 2013. In 2013, about 43 billion of our packages were recycled, 4 billion more than the previous year.

Recycled Tetra Pak packages - global (billion)



TECHNOLOGICAL INNOVATIONS IN CARTON RECYCLING

The purpose of a recycling solution is to transform used beverage cartons into products, or a raw material that can be used in several different products. The goal of the solution is to fulfil the requirements of the end product to the lowest possible cost. This will contribute to a profitable business and justify the cost of collection and sorting of the used cartons.

MANAGER EVALUATION

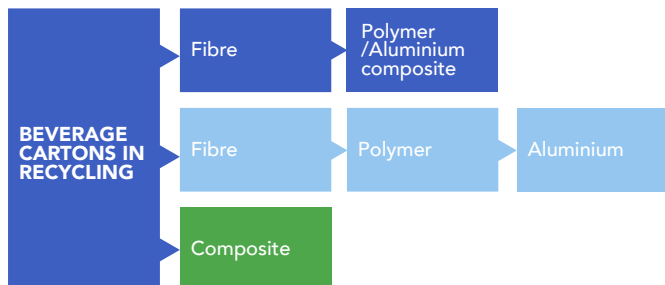
Our country managers are the key to realising our recycling goal and our local companies need to find the most effective solutions for their respective markets. To drive progress, recycling performance now makes up around 5% of our managers' annual performance evaluation.

Tetra Pak works continuously in cooperation with other partners to find technological innovations to recycle the different materials that compose our packages. We divide recycling solutions into three categories, depending on the materials to be recycled. Within each of these categories, there are different solutions:

- **fibre recycling** – the paper in our packages is used to produce pulp as material for new paper products
- **polyAl recycling** – the polymer and aluminium in our packages are used, either together or separately, as material for new products
- **full carton recycling** – without separating the paper, plastic and aluminium, the whole package is used to produce material for new products.

Recycling

Though single separation is the most common recycling method, the main focus over the past years has been to increase the efficiency and expand the use of recycling technologies that extract the most value from the polymers and aluminium.



Single separation

The most common recycling method is single separation, where used cartons are separated into wood fibre and an agglomerate of polymer and aluminium. As beverage cartons are made from virgin wood fibres, they are a valuable source of paper. The fibres are long, strong and can be used again several times to make new paper products such as corrugated board, frozen food boxes and tissue paper.

The remaining composite material made from polymer and aluminium (polyAl) can be used to make products such as pipes, pens, pallets, roof tiles – even artificial flowers.

Full separation

Currently, the fastest growing recycling method is full separation, because there is a bigger market for separated recycled material. Used cartons are separated into their constituent components, each of which is sold as an individual commodity. The aluminium can also be separated from the plastic and used for producing metal parts, and elements in chemical and industrial processes such as water purification and metal deoxidisation. The polymer can also be reused as a new raw material or recovered as energy.

Composite recycling

However, the whole package can also be used as a composite material for new products such as building materials without separating the paper, plastic and aluminium. This niche application is more common in emerging markets.

Selecting the right recycling solution

Creating markets for recycled materials is critical to the success of recycling solutions. Without a strong market, there is no profit for recyclers and hence no incentive to collect recyclables or manufacture recycled-content products. Therefore, identifying potential end-products and the requirements of these must be the starting point to selecting a solution. Then business and technical constraints must also be considered.

MORE THAN JUST A TECHNICAL SOLUTION

Increasing recycling requires active engagement along the entire recycling value chain. Tetra Pak does not own or operate recycling plants or collection infrastructure but given our experience of how to recycle our packages, we act as a facilitator, consultant and investor with key stakeholders across the value chain.

The key success factors to increase recycling include:

- Increase consumer awareness
- Support collection and sorting infrastructure
- Boost business opportunities for recycling entrepreneurs
- Expand market opportunities for recycled materials.

Increasing consumer awareness

Most consumers prefer to buy products in packaging that they know is recyclable. According to a global study conducted on behalf of Tetra Pak, 89% of consumers prefer to buy products in packages they know to be recyclable.

Increasing public awareness is one of the key success factors to reach our ambition. We do this through school programmes, consumer campaigns and partnering with local organisations. For example, in Turkey, we started a recycling awareness programme for school children in 2005. Since then, 'Little Things That Renew Nature' has reached more than 1 million children in Istanbul, Bursa and Izmir.



Supporting collection and sorting infrastructure

It's not enough for a package to be recyclable; consumers also need to know what to do with their empty packages, and recyclers need a reliable supply.

There are significant differences in waste handling legislation, infrastructure and recycling rates around the world. The process of collecting and sorting differs from market to market – it is often informal and manual in developing countries and highly mechanised in more mature markets. So in some countries, the main challenge is to develop a collection infrastructure. We support the development of this infrastructure by identifying opportunities for improvement in each market and working with partners on the ground, to influence legislation or to facilitate discussion between collectors and recyclers, such as in India (see case story).

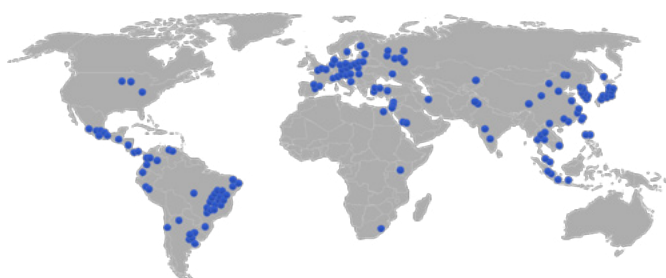


Recycling

Markets showing great progress in collection infrastructure include the United States (see case story) and Brazil, where more than 71,000 tons of Tetra Pak packaging was recycled in 2013 – a 9% increase compared to 2012.

Business opportunities for recycling entrepreneurs

When it comes to turning the collected cartons into products or viable raw materials, we help local recyclers explore profitable business opportunities and recommend effective technical solutions. Every day, more than 150 companies in 45 markets – from small enterprises to multinational companies – currently recycle the base materials used in Tetra Pak cartons.



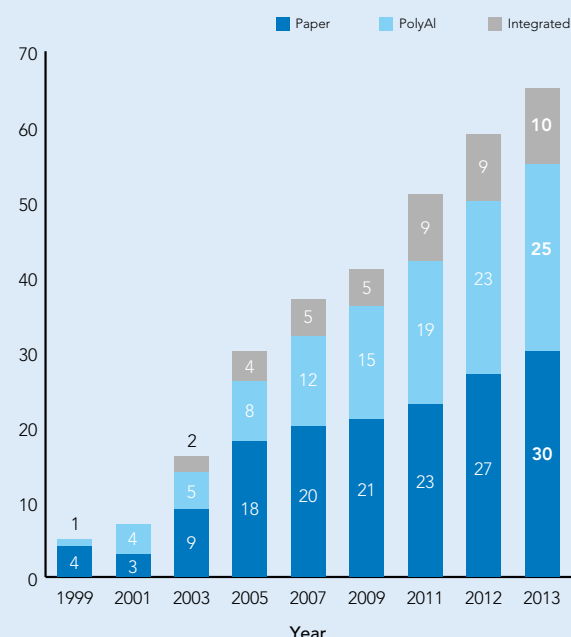
For example:

- Deluxe Recycling in India, a family business with around 50 employees, turns recycled cartons into thick boards for the construction industry
- Both StoraEnso, a Finnish pulp and paper manufacturer, and Sweden's Fiskeby Board, Europe's oldest manufacturer of paper and board, use recovered plastics as an energy source for some of their factories
- Luhai Environmental Protection in China sells aluminium flakes from our cartons for the production of insulation bricks and fireworks.

With Tetra Pak's support, Hangzhou Fulun Ecology Technology in China has invested in new equipment and chemical delamination technology that allows plastic and aluminium to be separated. Fulun now sells recycled paper to wallboard and packaging companies, polymers to plastic recyclers, and foil to fireworks manufacturers. The company's new education room (pictured) also promotes recycling to visiting school groups and local officials.



Number of recyclers



Expanding the market for recycled materials

Without demand, there is no incentive to collect cartons or make products from recycled materials. To expand the market opportunities for recycled carton materials, we conduct research to understand what products the materials in our cartons can be used for, profitably.

In Brazil, a mix of polymer and aluminium (polyAl) has been used to make roof tiles in since 2000. Results from our cooperation with universities on three scientific papers further validate the benefits and in the last 13 years, the market has grown from one company producing 10 tiles an hour to 15 manufacturers making a million tiles per year. In 2013, Tetra Pak experts developed a centrifugal dryer that can dry and extract excess fibres from the polyAl, halving the time it takes to make roofing tiles and contributing to a better final product. Nine companies in Brazil, as well as other companies in the region, are adopting this new technology.



Recycling

INCREASING RECYCLABILITY THROUGH DESIGN

Another way we facilitate the recycling of our products is through packaging design innovation. For instance, in 2013, we launched Tetra Evero® Aseptic 1000 Separable Top, a product that enables consumers to detach the plastic top from the carton sleeve and recycle them separately.



43 billion

Number of used Tetra Pak packages recycled in 2013

Case stories

TETRA THERM® ASEPTIC FLEX

At the end of 2013, Tetra Pak launched a new version of Tetra Therm® Aseptic Flex, a well-established processing unit used by dairies in making long-life milk, cream, yoghurt drinks and other products. The new version features a number of new innovations that further improve its performance, lowering costs and environmental impact.

A continuous indirect ultra-high temperature (UHT) treatment of the dairy product means that it is quickly heated up and immediately cooled down, destroying microorganisms without hampering the quality of the product.

The performance of the latest version of the Tetra Therm® Aseptic Flex has been improved by a 'clean-in-place' solution (Intelli CIP 2.0), which uses a sensor to monitor the unit's actual cleaning needs rather than preinstalled times. This increases the amount of time the unit can be in use, thereby reducing waste and improving performance.

Changes have also been made to the phases when the aseptic areas are sterilised and when the operation is paused. The homogeniser and air vent are stopped, enabling the piston seal in the homogeniser to last up to three times longer. This change leads to a reduction in water and energy use of up to 80% in stand-by mode.



SUSTAINABLE BUILDING DESIGN IN INDIA

Tetra Pak's new world-class packaging material facility in Chakan, Pune, has been awarded Platinum certification by the Indian Green Building Council (IGBC). This is the highest recognition for sustainable building design, equivalent to the LEED (Leadership in Energy and Environmental Design) certification awarded by the US Green Building Council.

Tetra Pak received all 81 credits that it applied for, helping the facility qualify for the prestigious Platinum rating. The certification was based on an assessment of the site in six categories: sustainability, water conservation, energy conservation, indoor environmental quality, material conservation and innovation.

Several initiatives, such as the installation of solar panels, rainwater harvesting, and the reuse of waste water and waste heat from generators, have been undertaken at Chakan to develop it into an environmentally sustainable site.

In particular, the IGBC recognised:

- initiatives to conserve energy, such as using heat from our generators to power air-conditioning and the use of LEDs (Light Emitting Diodes), which also reduce costs
- efforts to prevent and control soil erosion, including the implementation of mulching, the preservation of existing trees on site and a number of post-construction erosion and sediment control measures
- access to public transport with shuttle services provided for all employees
- natural topography and landscape, in line with the open space requirement of 10%. Additionally, 41% of the site area is landscaped and will be conserved.

Case stories

LEADING THE WAY IN SOUTH AFRICA

We have partnered with Gayatri Paper Mill in South Africa to recycle used milk and juice beverage cartons. Since starting recycling just over two-and-a-half years ago, the carton recycling rates have risen to 12%; our goal is to reach 25% by 2020.

Before 2011, waste cartons were exported to either India or China for recycling but keeping this activity within South Africa has significantly reduced our carbon footprint and created job opportunities along the value chain. The Gayatri initiative – a first for Africa – has also enhanced our credibility with customers, retailers, industry associations, NGOs, government organisations and consumers.

Successful recycling depends on efficient and sustainable collection programmes – and on making sure consumers know they can recycle cartons. To create this awareness, we now include recycling information on our cartons and inform consumers about collection programmes on our company and other websites.



We've also had great support from the Paper Recycling Association of South Africa in helping raise awareness, and we're working to develop more potential recyclers, both within South Africa and further afield.

Our current aim is to increase recycling capacity with another paper mill. This will build on the foundations we've laid with Gayatri and take us closer towards our 2020 recycling goals.

USED CARTON COLLECTION IN INDIA

In parts of the world with limited packaging and waste regulations or infrastructure, such as India, there is no sorting of waste by households or door-to-door collections. Street waste pickers pick through the waste that accumulates by the roadside and at local dumps, selling what they can to scrap dealers, while 'wet' and non-recyclable waste get left for landfill.

Legislation introduced in 2011 advocates that manufacturers support local authorities in setting up collection centres to improve the recovery and recycling of plastic waste. Tetra Pak India has brought together waste pickers, scrap dealers, NGO collection organisations and recyclers to make the collection and sorting of used beverage cartons much more efficient.

Having identified the main godaams (hubs) of waste pickers, we are using Paryavaran Mitra (Friends of the Environment) clubs, 'health check camps' and even social events like cricket matches to build rapport and educate them that our used beverage cartons are a different grade of waste to paper and are sought after by waste collectors and recyclers if separated. We're also strengthening our relationships with new NGO collection partners through workshops, street plays and leaflets.



By focusing on large cities with higher consumption rates, such as Delhi, and working with specialist collection companies, we helped to double the collection rate of our cartons across South Asia from 8.6% in 2010 to 16.7% in 2012.



RECYCLING PARTNERSHIP IN INDONESIA

For nearly a decade, we have been collaborating with three paper mills in Indonesia as part of a carton packaging recycling programme. Launched in 2005, the programme focuses on the islands of Java and Bali, but we are confident of expanding

our reach. In fact, Tetra Pak Indonesia hopes to begin cooperation with one more paper mill later this year.

The initiative to date has been successful, with Tetra Pak Indonesia increasing the amount of recycled cardboard and paper materials by 41% over the past year, although the 1,969 tons of cardboard packaging processed fell slightly short of our target of 2,000 tons.

In addition, we have forged numerous partnerships with factories and environmental agencies. The aim is to continue to significantly increase the recycling of these materials.

Case stories

CARTON RECYCLING IN THE USA



One market that exemplifies our collaborative approach to increasing recycling rates at a global level is the United States. For the last five years, we've been working through the Carton Council, of which we are a founding member, to increase public access to carton recycling infrastructure.

With authorities across the country wanting to increase waste diversion from landfill, municipalities and their local sorting facilities are investing in new infrastructure and technical assistance to enable cartons to be included in the recycling stream. They are also investing in materials to encourage residents to recycle cartons.

To spread the word and change consumer behaviour, we are supporting outreach to local communities that spans:

- working closely with schools to raise awareness
- promoting recycling messages using social media
- partnering with customers and retailers on regional awareness campaigns and co-promotions in-store.

Educational campaigns in 24 cities, such as El Paso, Texas; Albuquerque, New Mexico; Winston-Salem, North Carolina; Cincinnati, Ohio; and Louisville, Kentucky have helped inform consumers that carton recycling is now available where they live.

With the Carton Council facilitating discussions with city authorities, the household access rate for carton recycling rose from 41.5% to 48% during 2013. Around 7.9 million households are now able to take up the offer for the first time, taking the total number of US households able to recycle our cartons above 56 million.

SUPPORTING WASTE PICKERS IN BRAZIL

Recycling is considered an efficient solution to the problem of urban waste in many locations, but it is often more than just about doing the right thing for the environment. It is also an opportunity to socially integrate the legions of local waste pickers, an essential part of the recycling chain.

Waste pickers collect recyclable materials from the waste stream, either for their own personal use or to sell on. This practice is particularly prevalent in developing and emerging countries, where infrastructure may struggle to keep pace with the amount of waste produced by a fast-growing population.

In more recent times, Latin American countries – Brazil included – have led the way in forming workers' groups, setting up micro-enterprises and establishing partnerships with businesses and governments to reflect the significant contribution of waste pickers to job creation, public health and mitigating climate change.

Despite organising themselves into cooperatives, Brazil's waste pickers needed to be yet more organised and efficient to increase their income. So following four years of research, Tetra Pak – in a partnership with CEMPRE, SESCOOP and Integration Management Consulting – developed the Cooperativa em Ação programme.

The programme contains a set of publications that outline the efficient operation of a cooperative; these have been produced in a very visual, comic-style format to overcome low literacy levels. The programme, which can be adapted



to suit local circumstances, addresses general actions to improve efficiency, simple practical changes to decrease commercial risks and raise productivity, and financial management.

In 2013, Tetra Pak consultants provided training to 14 cooperatives from the São Paulo, Goiás and Paraná states, reaching more than 450 waste pickers.

"Our goal is to encourage a more professional performance of the waste picker cooperatives to transform them into real raw material producers."

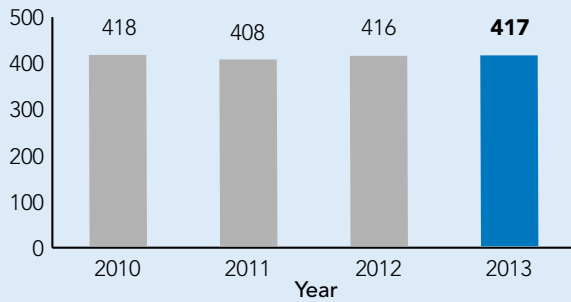
**Fernando Von Zuben, Environmental Director,
Tetra Pak Brazil**

Environmental performance data

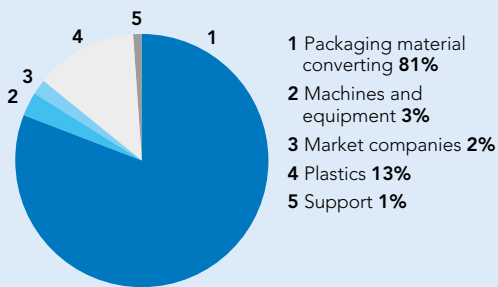
CLIMATE

Greenhouse gas (GHG) emissions

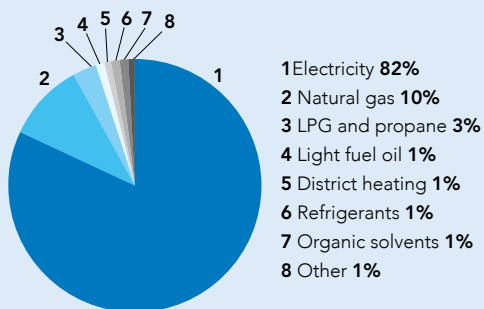
Total GHG emissions (Scopes 1 and 2) (ktonnes of CO₂e)



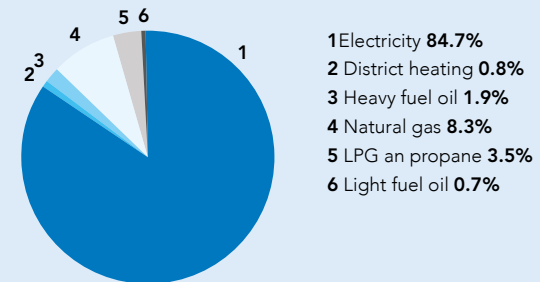
GHG emissions (Scopes 1 and 2) by function - 2013 (%)



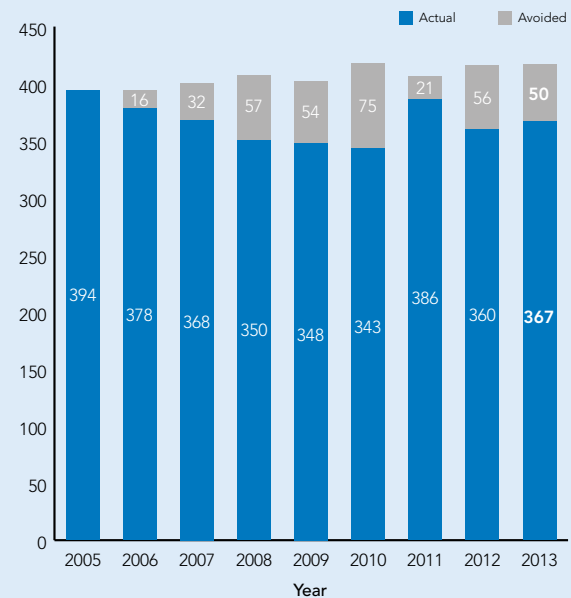
GHG emissions (Scopes 1 and 2) by emission source - 2013 (%)



GHG emissions by energy source - 2013 (%)

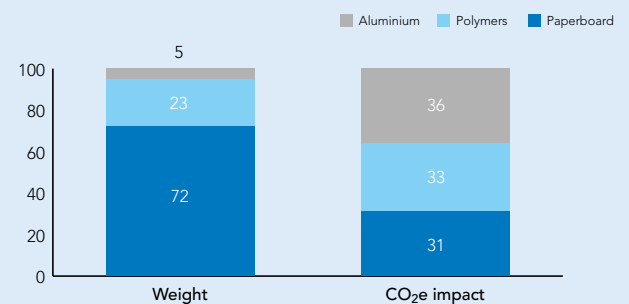


GHG emissions actual and avoided due to green power (ktonnes CO₂e)



Packaging material – climate impact

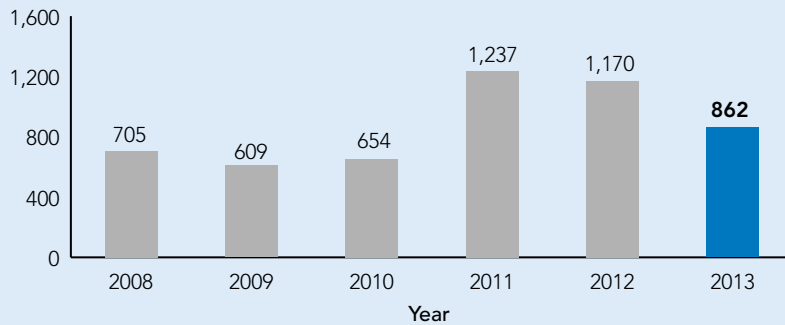
Packaging material weight and CO₂e impact (%)



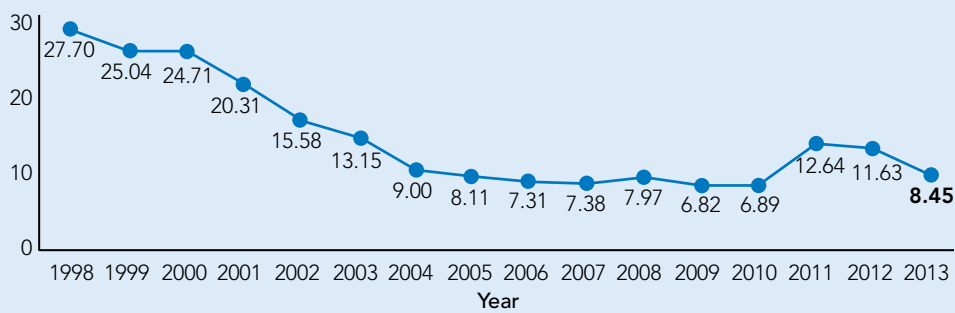
Environmental performance data

Volatile organic compound (VOC) emissions

Total VOC emissions (tonnes)

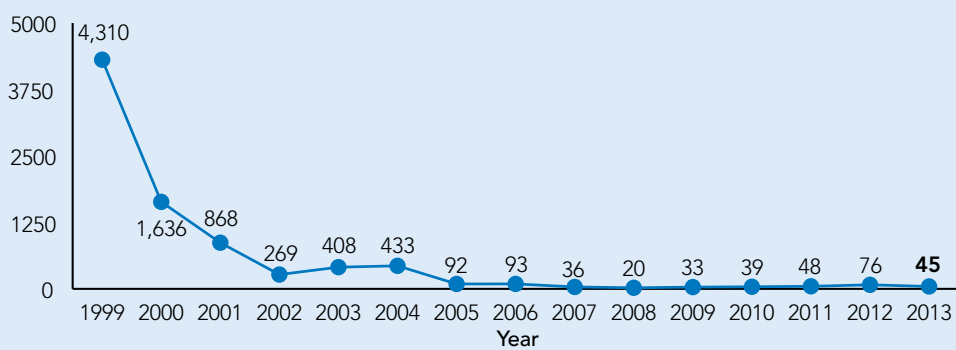


VOC emissions per standard packages produced (kg/million standard packages)



Ozone-depleting emissions

Total ozone-depleting substances (kg of CFC-11 equivalents)



Ozone-depleting substances use by function - 2013 (%)

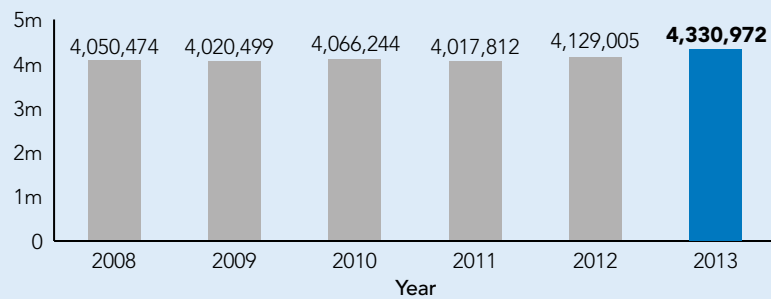


Environmental performance data

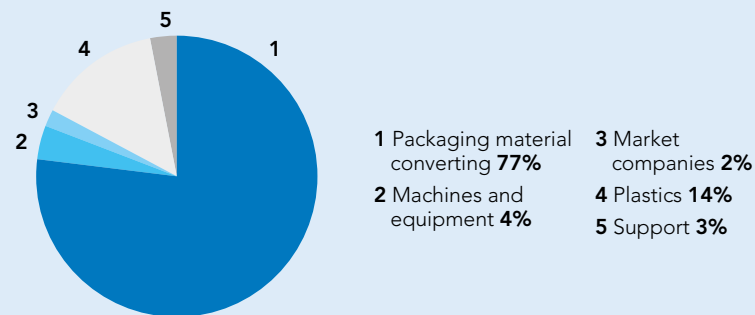
ENVIRONMENTAL FOOTPRINT

Energy

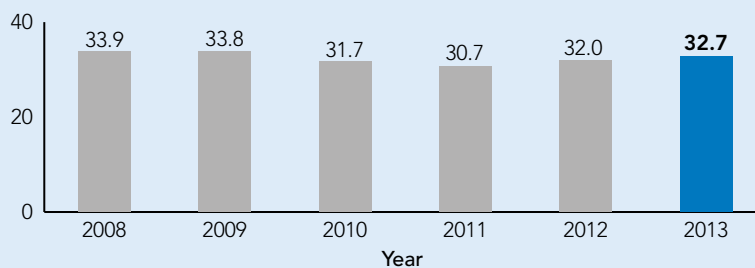
Total energy use (GJ)



Energy use by function - 2013 (%)



Energy efficiency - packaging material production (GJ/million standard packages)

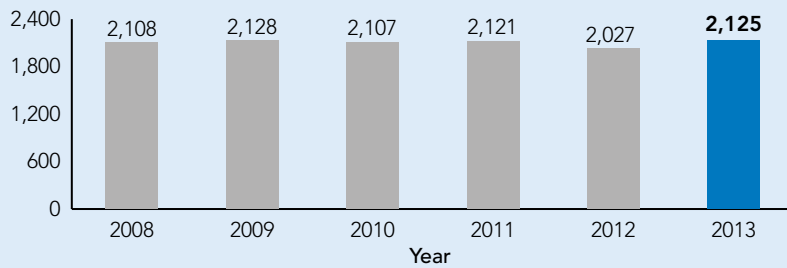


Environmental performance data

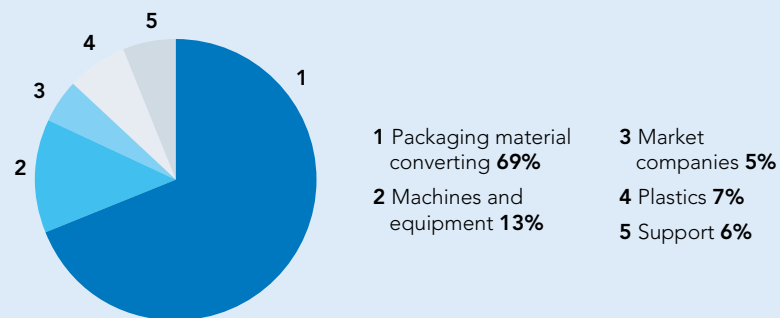
ENVIRONMENTAL FOOTPRINT

Water

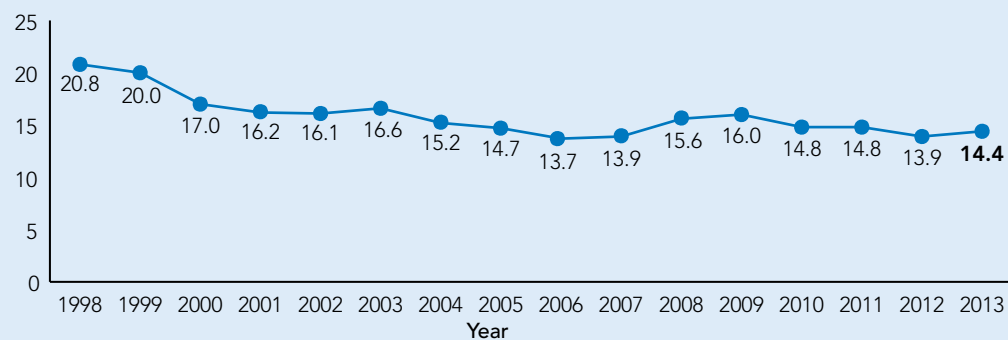
Total water use (thousand m³)



Water use by function - 2013 (%)



Water efficiency - packaging material production (m³/million standard packages)



Environmental performance data

Compliance and ISO certification



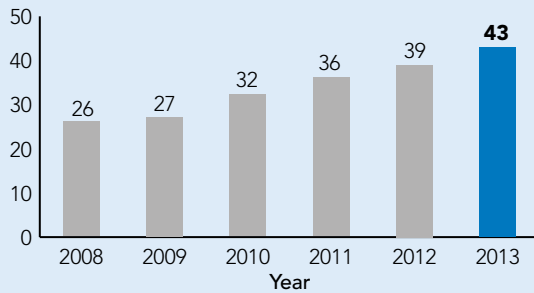
ISO 14001 certification status 2013

MANUFACTURING PLANTS	TOTAL NUMBER OF PLANTS	NUMBER OF CERTIFIED PLANTS	% OF CERTIFIED PLANTS
Carton packaging material	36	35	97%
Closures, straws, strips and film	21	19	90%
Processing equipment and packaging machines	13	12	92%
Total	70	66	94%

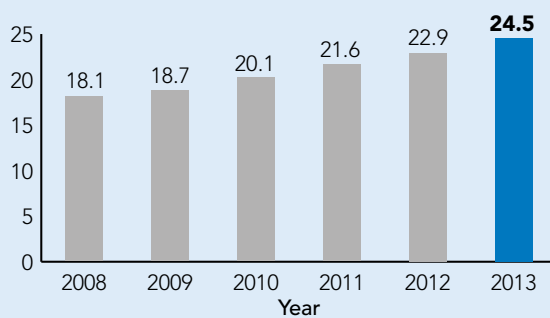
Environmental performance data

Recycling

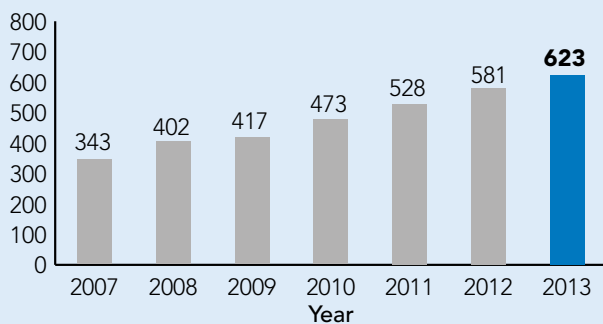
Recycled Tetra Pak packages - global (billion)



Recycling rate Tetra Pak packages - global (%)



Recycling rate Tetra Pak packages - global (ktonnes)



Responsible sourcing

The responsible sourcing of raw materials is an essential part of developing products that have as little impact as possible throughout their life cycle. At Tetra Pak, we believe that renewable resources are the only long-term alternative, and the fact that our cartons consist mostly of paperboard from forests that continue to grow is a good start. Together with suppliers, customers and other stakeholders, we are leading the industry towards a 100% renewable package, including the use of bio-based plastics, and helping to create a standard for responsible aluminium production and sourcing.

THE ANATOMY OF A PACKAGE

Tetra Pak cartons are uniquely efficient packages made with a layered packaging material. Usually, around three-quarters of one of our cartons is comprised of paperboard, which provides the required shape and stiffness. The other components needed – protective layers of polymer and aluminium – are necessary to keep food safe and nutritious, prevent food waste and enable better food distribution.

Our aim has always been to minimise the use of these materials, without compromising the carton's functionality or safety.

A FOCUS ON RENEWABILITY

As raw materials and other natural resources become scarce, they will also be increasingly expensive. Securing a sustainable supply of materials is a huge challenge for all businesses for decades to come, and a key area of focus for Tetra Pak.

To develop more sustainable packaging, one of our focus areas is renewability. In particular, we are working to increase the use of renewable materials from natural resources that grow back when properly managed, such as wood and sugarcane. Using responsibly managed renewable materials helps us to ensure a supply of packaging materials that protect both the food they contain, and the forests they were sourced from. We believe that using renewable resources also creates market differentiation for our products.

As more than 70% of a Tetra Pak package is paperboard – made from wood, a renewable resource – we have already, naturally, taken a major step towards our long-term renewability ambitions. We were also the first in our sector to introduce bio-based caps (see case story), and now we're leading the way in the use of bio-based plastic coating.

Our ultimate goal is to be able to offer a fully renewable carton package for liquid food.

To help raise awareness of the importance of responsible forestry management, we have launched a global programme focused on renewable materials: 'The Pack that Grows Back' (read a case story).

OUR LONG-TERM RENEWABILITY AMBITIONS

- 100% renewable materials
- 100% FSC™-certified paperboard

41%

The proportion of paperboard we used in 2013 that was FSC™-certified



Paperboard

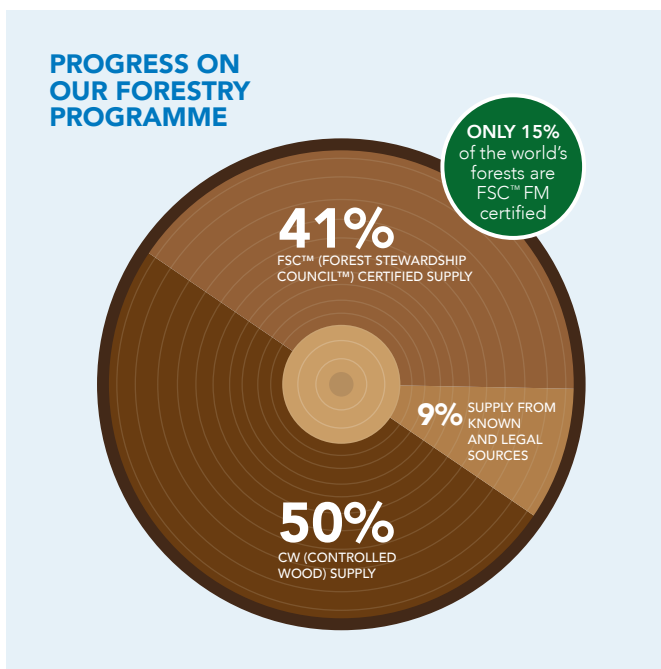
On average, 75% of a Tetra Pak carton's weight is made up of paperboard. This is always derived from virgin wood fibre to guarantee the carton's integrity and strength. By using wood fibres as our main raw material, we minimise the need for carbon-based materials.

FSC™ CERTIFICATION

We are one of the main purchasers of paperboard in the world, so securing a sustainable supply of wood-based products is critical to Tetra Pak.

As a Forest Stewardship Council™ (FSC™)-certified company, Tetra Pak is committed to sourcing from responsibly managed forests and other controlled sources. However, as FSC™-certified forests currently represent only about 15% of the world's productive forest areas (WWF, 2013), this remains a challenge. Therefore, we work with our paperboard suppliers to ensure that, as an absolute minimum, the wood fibre they use comes from known and legal sources.

Over 90% of the paperboard we purchased in 2013 came from FSC™ Chain of Custody-certified suppliers, as shown below.



FSC™-certified forests: Ensures responsible forest management; Verified to be compliant with FSC's 10 principles and 70+ criteria.

Controlled Wood forests: Ensures minimum global requirements: no wood harvested illegally, in violation of traditional or civil rights, from areas where management activities threaten high conservation values, from areas being converted from forests and other wooded ecosystems to plantations or non-forest use, or from genetically modified trees.

Forests where management is governed by national legislation: Scope of legislation and governance/verification of performance varies widely between countries.

Our forestry guideline sets out the expectations we have of our suppliers regarding forest management and the wood-based products delivered to our converting factories. Independent certification for responsible forestry and traceability through the supply chain are key requirements.

Tetra Pak continues to work with WWF and FSC™ to encourage forest smallholders to certify and we contribute actively to the FSC™ multi-stakeholder process. All our global paperboard suppliers are FSC™ Chain of Custody certified.

FSC™ CHAIN OF CUSTODY CERTIFICATION

In 2007, we made a voluntary commitment to extend the FSC™ Chain of Custody certification across our global operations by 2018. Currently, 32 of our converting factories (91%) and 31 of our market companies (84%) are Chain of Custody certified, so we are well on our way to reaching our target.

FSC™ LABELLING



FSC™ offers a unique opportunity to highlight responsible sourcing to retailers and consumers. Environmental research by Tetra Pak shows that more than 35% of consumers look for environmental logos when buying a product, and by choosing FSC™-certified and labelled products, consumers can make an informed choice to help protect the future of the world's forests.

Raising awareness among consumers about the importance of using responsibly managed renewable materials plays a key role in driving responsible forest management. We encourage our customers to use the FSC™ label on pack and communicate its value to their consumers. For example, we set up a partnership in Sweden with our customers Arla and ICA, WWF and the Swedish FSC™ to increase public awareness of the FSC™ label.

"The FSC™ label helps raise awareness of the importance of responsible forest management among consumers worldwide, enabling them to make informed purchasing choices."

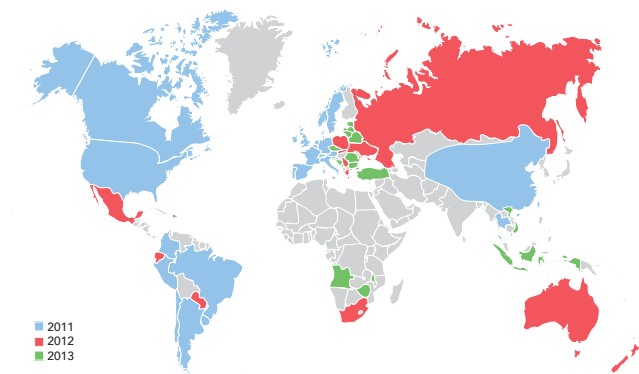
Nils Björkman, Executive Vice President Commercial Operations, Tetra Pak

Our goal for 2015 is to reach 25% labelling of our global products and, eventually, offer all our customers the option to use the FSC™ label.

In September 2013, we announced that customers in 60 countries have now adopted the responsible forest management label – 15 more than a year ago (a 40% increase). And during 2013, 32 billion Tetra Pak packages (18% of those sold) bearing the FSC™ label appeared on retail shelves around the world, an increase of more than 5 billion over 2012.

Paperboard

Countries where FSC™-labelled Tetra Pak packages are sold



FSC FRIDAY

FSC Friday is designed to celebrate the world's forests and highlight the importance of responsible forest management. Every year, on the last Friday in September, schools, businesses, individuals, forest managers and other organisations around the world help to spread the word about FSC™ and responsible forestry.

Celebrating the fact that more than 50 countries now sell our packages with the FSC™ logo, engagement activities across Tetra Pak included a global quiz aimed at improving our employees' understanding of why FSC™ is important to us.



MAINTAINING CONSERVATION VALUE

As set out in our procedure for responsible sourcing, sourcing fibres from responsibly managed forests that we know are replenished helps us and our suppliers to sustain the ecological functions of forests, conserve biodiversity and maintain 'High Conservation Value'. This term was introduced by the FSC™, of which we have been a member since 2005, and defined by the High Conservation Value Resource Network (HCVRN), which we co-founded in 2006.

As well as guaranteeing our future supplies, we are also aware of our responsibility to ensure the wellbeing of forests, home to 80% of the world's land-based plants and animals. High Conservation Value methodologies and tools improve the identification of areas that deserve special care due to their role in protecting threatened species, populations and ecological communities; migratory birds; and declining species habitats, including wildlife corridors between core habitat areas.

Our certified paperboard suppliers must include a High Conservation Value inventory in their forest management plans, including actions for maintaining and enhancing these areas, and through annual monitoring, the effectiveness of their plans can be monitored.

32 billion

Number of FSC™-labelled packs reaching consumers



Polymers

Our cartons are primarily made of paperboard, a renewable resource, but we also need to use thin layers of polymer, to avoid moisture getting in or out of the carton (see Food protection), and to act as an adhesive layer between the paperboard and the aluminium. We also make closures and straws out of plastic to improve functionality and consumer convenience.

THE SEARCH FOR RENEWABILITY

Our long-term ambition is to develop a package made entirely from material from renewable sources. So in 2011, we started to source polymers from renewable sources and launched the industry's first caps made using bio-based polymers.



Early research shows that these caps, which were derived from Brazilian sugar cane, have a lower carbon footprint than conventional fossil fuel-based polymers. Our customers can easily switch to bio-based caps without additional investment or modifications to their filling machines.

Eventually, we want to offer caps made from renewable sources across our full packaging range, but the availability of bio-based polymers is currently limited.

Nonetheless, across our global portfolio, we sold 1.1 billion packages with bio-based caps during 2013 (2012: 610 million).

BIO-BASED COATINGS

In a carton packaging first, we are piloting the use of bio-based coatings for the décor and lamination plastic layers in our packages. Following an agreement with Braskem, the largest thermoplastic resins producer in the Americas, low-density polyethylene (LDPE) derived from sugar cane will be used in all Tetra Pak packaging material factories in Brazil, starting in April 2014.

As a result, all 13 billion packages we produce in Brazil will replace about 25% of the fossil-based plastic material with plastic made from renewable sources.

"The new bio-based LDPE is as inert, resistant and recyclable as the polyethylene made from fossil sources but by using a renewable source has a lower environmental impact and ensures future raw material sourcing. The expansion of the green products line reinforces our commitment to adding value through sustainable development for the value chain."

Carlos Fadigas, President, Braskem

SOURCING CHALLENGES

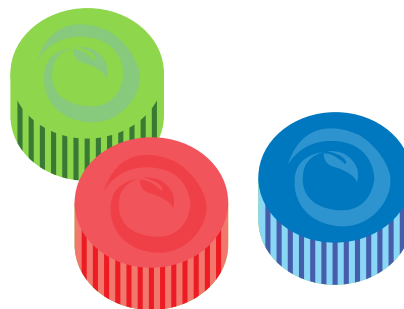
Using renewable sources comes with a responsibility to ensure they are managed in a way that does not have a negative impact on other global needs. Tetra Pak actively encourages all sugar cane suppliers to apply the Bonsucro certification standard for responsible ethanol production, developed in consultation with stakeholders across the sugar cane value chain.

WHAT NEXT?

Sugar cane is only the beginning. In the future, we expect to explore opportunities for creating bio-based plastics from a variety of sources, ranging from organic waste to algae.

1.1 billion

Tetra Pak packages with bio-based polymer caps sold in 2013



Aluminium

We use a thin layer of aluminium foil in our aseptic carton packages, but we are working hard to use as little as possible, supporting ways to make the aluminium supply chain more responsible and sustainable, and developing alternative materials to eventually replace aluminium altogether.

WHY ALUMINIUM?

Aluminium is the world's second most used metal after steel. It is in great demand for its unique qualities such as durability, strength and its ability to be recycled forever without loss of quality.

Our aseptic carton packages for long-life food have a thin layer of aluminium foil that provides protection from oxygen and light. This is only 6.3 microns thick, about 80 times thinner than a human hair. On average, the aluminium makes up only 5% of the weight of any single package – about 1 gramme per package – but from a life-cycle perspective, it counts for the greatest single climate impact in our packaging.

SETTING THE SOURCING STANDARD

The sourcing and use of aluminium is associated with several environmental and social aspects. For example, the bauxite mining industry faces a number of challenges, including land use impacts, use of chemicals, working conditions, and health and safety. And since aluminium is traded at an open exchange market, it is sometimes difficult to determine the traceability and sustainability of our sources.

It is therefore important that we find ways to reduce the impact of our use of aluminium. These include optimising the foil so that we can make it as thin as possible, and working to develop alternative barrier materials that could eventually replace aluminium. We also take an active part in developing criteria for responsible production and sourcing of aluminium, as outlined below.

SUSTAINABILITY AND TRANSPARENCY

Tetra Pak was one of several companies that launched the Aluminium Stewardship Initiative (ASI) in 2012, with the support of the International Union for Conservation of Nature (IUCN). ASI's aim is to foster greater sustainability and transparency throughout the industry, helping stakeholders to establish and promote responsible leading practices.



To improve the sustainability performance of aluminium products, ASI's first goal is to develop the ASI Standard, to define environmental and social criteria for all stages of aluminium production and transformation. It will also consider how recycling and material recovery from

products that contain aluminium can contribute to improving the metal's efficiency and minimising its environmental and social footprint. The ASI Standard will be supported by a Chain of Custody system, which will aim to assure the provenance of aluminium.

A two-year, multi-stakeholder consultation process, coordinated by the IUCN, will close by the end of 2014.

"This initiative brings together key players in the whole aluminium value chain to ensure the industry works in a sustainability-focused and transparent way. We hope this commitment will lead to a rapid development of a single, universal sustainability standard for the production and use of aluminium."

Julia Marton-Lefèvre, Director General, IUCN

Case stories

THE PACK THAT GROWS BACK



To help raise awareness of the importance of responsible forest management, we have launched a global programme focused on renewable materials.

Under the slogan 'The Pack that Grows Back', the campaign aims to reach consumers through various channels around the world.

Using social media promotions, on-pack advertising and in-store campaigns supported by dedicated websites packed full of information, the campaign reinforces our commitment to sourcing paperboard from responsibly managed forests. Our overall aim is to have 100% of our paperboard certified by the Forest Stewardship Council™ (FSC™).

Taking a playful approach to raising public awareness and understanding about a topic that is often misunderstood by consumers, 'The Pack that Grows Back' highlights why renewable materials are such a significant part of the environmental agenda and offers insight to the importance of responsible resource management.

PIONEERING BIO-BASED MATERIALS



In an industry first, all our packaging in Brazil will now be made with the pioneering use of bio-based low-density polyethylene (LDPE).

LDPE is a thermoplastic made from sugar cane that, when combined with paperboard, increases the content of materials from renewable sources to as much as 82%, in the case of a Brik® Aseptic 1000ml Base package. Our customers' machinery does not need to be modified when switching to bio-based LDPE and the material has the same physical and chemical properties as its more traditional alternatives.

Following the successful adoption of our bio-based LDPE by Coca-Cola Brazil for its Del Valle juice beverages, we are extending our use of the renewable polymer layer to all 150 customers that source from Tetra Pak Brazil. This will amount to a total of more than 13 billion packs every year.

FSC™ LABELLING IN CHILE

We are educating our stakeholders about the benefits of certified sourcing which, in turn, improves our environmental credentials.

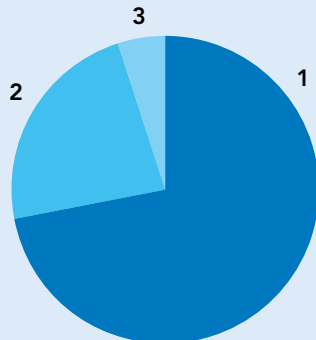
In April 2014, in Santiago, Chile, Tetra Pak and the Forest Stewardship Council™ (FSC™) organised a workshop for media and Tetra Pak customers about the importance of the FSC™ label in Latin America. Speakers at the event, entitled 'Environmental certifications: the big challenge towards conscious consumers', included Pina Gervasi, FSC™ Latin America Director, Claudia Cuiza, FSC™ Chile Director, and Lucia Martinez, Sustainability Manager for Tetra Pak Chile.



Sourcing performance data

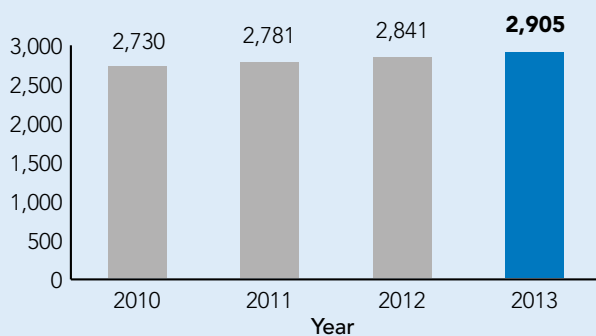
RAW MATERIALS

Raw material use per main base material - 2013 (%)

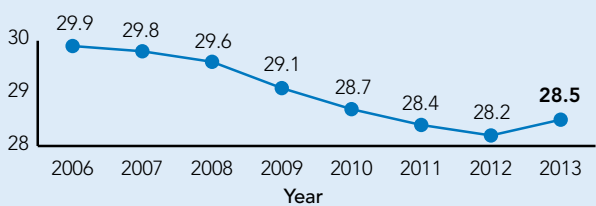


- 1 Paperboard 72%
- 2 Polymers 23%
- 3 Aluminium foil 5%

Raw material use - packaging material production (ktonnes)

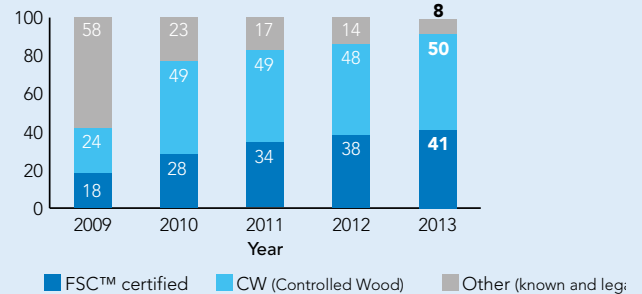


Raw material use efficiency - packaging material production (g/standard package)

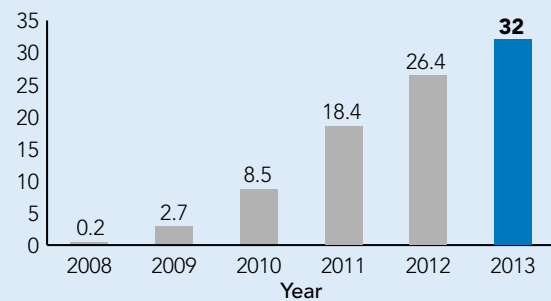


FORESTRY AND PAPERBOARD

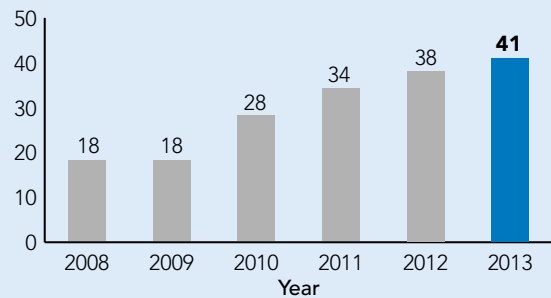
Forestry traceability (%)



FSC™-labelled packages reaching consumers (billion)

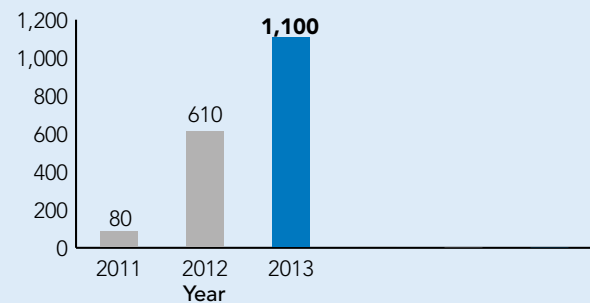


FSC™-certified paperboard, share of supply (%)



POLYMERS

Tetra Pak packages with bio-based polymer caps (million)



Our customers

We work to build strong, long-term relationships with our customers. They play a vital role in providing nutritious and essential foods to people all over the world and we aim to be a unique partner by supporting them to develop the food value chain. Through trends analysis, annual feedback and dialogue, we are continually improving the way we capture what they really need, and how we use this understanding to improve the technical specifications of our products and the services we provide.

CUSTOMER FEEDBACK

Satisfied customers are an obvious key to success. We closely monitor the views and expectations of our customers from all over the world, and make sure they inform our decisions. In addition to daily dialogue with our customer-facing staff, we conduct an annual customer satisfaction survey, which has an important role to play in making sure we focus on the right things.

In 2013, we made a transition from a face-to-face survey to an online survey; this helped to increase the number of respondents by 36% to 2,739, with an 87% response rate from our key accounts. Key areas of focus for our customers relate to the performance of the processing and packaging lines, securing outstanding technical service and the prompt resolution of issues, while innovation is also seen by customers as one of the most important areas for action.

The survey also outlines areas of strength, such as environmental activities, where we need to continue to strive to exceed customers' expectations. Many of our customers set ambitious environmental targets and expect Tetra Pak to contribute to meeting them. Our products and their impact are a part of our customers' value chain and performance.

TRENDS AND RESEARCH

Understanding changes in society and analysing different stakeholders' perceptions are important if we are to continue to make the right decisions for our business and meet our customers' high expectations. They are also crucial to securing sustainable growth, achieving long-term success and meeting the wider needs of society.

ENVIRONMENTAL RESEARCH

To understand the interests and concerns of our customers, other food industry influencers and consumers, we conduct an environment survey every two years to gather their views.

Our fifth survey, published in September 2013, highlights the rising demand for renewable materials (like wood and sugar cane) and environmental information among consumers around the world. It also shows that recycling remains a fundamental expectation of consumers and food industry stakeholders, including our customers.

Renewable materials playing an important role

This year's survey sees food industry stakeholders rank the use of bio-based materials as one of the most important environmental trends shaping the future of beverage packaging. Meanwhile, consumers continue to rate the carton as the packaging type with the least environmental impact, due to its use of wood fibre, a renewable material. More than 50% of them believe that bio-based plastics will further improve the environmental performance of carton packaging.

Increasing demand for environmental information and labelling



The report identifies a growing consumer demand for environmental information. To make informed choices, 37% of consumers regularly look for environmental logos on food packaging and 54% trust environmental labels (up from 37% in 2011). One in five consumers in the survey recognises the FSC™ logo, and most of them can associate it with sustainable forestry.

Our customers

Recyclability remains a must

Sorting packaging for recycling remains the number one environmental activity among consumers, as it has been since 2005. Meanwhile, the ability to recycle packaging material is regarded as a top priority among food industry stakeholders when developing products and services.

The survey, conducted biannually since 2005, polled more than 7,000 consumers and more than 200 food industry stakeholders in 13 countries. We will use its findings to inform our understanding of stakeholder attitudes, our environmental communications, and our future strategy and product development.

"The findings of this year's research reinforce the importance of putting environment at the heart of our strategic agenda. We have set firm commitments to reduce our environmental footprint across the value chain, to develop sustainable products and to increase recycling rates, and we are making good progress towards the goals that we have set for ourselves in each of these important areas."

Libby Costin, Global Portfolio Marketing Director, Tetra Pak

VALUE-DRIVEN INNOVATION

Accelerating value-driven innovation is one of our four 2020 strategic priorities. We focus on efficient customer solutions that deliver high functionality, reduce operational costs and minimise environmental impact.

DEVELOP SUSTAINABLE PRODUCTS

Improve environmental profile of entire portfolio

Develop and deploy environmental innovations

By setting the highest standards and applying our sustainability know-how, we intend to differentiate ourselves from competitors and remain a unique partner for our customers over the long term.

To deliver on our ambitions, we need to find new innovative solutions along the entire value chain. This means exploring new raw materials, developing more efficient production solutions for our customers and continuing to find new ways to improve each step in the value chain.

TRANSPARENCY AS A SUPPLIER

To build trust and transparency with our customers and to minimise risks, we have held membership of the Supplier Ethical Data Exchange (Sedex) since 2010.

Sedex is a secure, web-based system for measuring responsible business practices across four pillars: labour standards, health and safety, environment and business integrity. It helps its members – both customers and suppliers – share ethical performance data, and better align social and ethical standards in the supply chain.

All our packaging material, closure and drinking straw factories, as well as all our machine factories and spare part delivery units, report into the Sedex system.

178 billion

Number of carton packages sold



FURTHER INFORMATION

Supplier Ethical Data Exchange (Sedex)

Packaging design

Customer expectations regarding environmental performance are rising. Many of our customers set ambitious environmental targets and expect us to contribute to meeting them, because our products are an integral part of their value chain and performance. From the manufacture of our very first beverage carton, innovation has played a critical part in continually improving what we do to support our customers, remaining competitive and contributing to a more sustainable society.

PROTECTING FOOD

In support of our ambition to make food safe and available, everywhere, the fundamental role of our packaging is to protect the integrity and quality of the food or drink it contains until it is used by the consumer.

As well as keeping the contents safe and hygienic, and preserving their nutritional value, our cartons also need to be strong yet light, to ensure they can be filled, packed, transported and stored as efficiently as possible.

RENEWABILITY IS THE FUTURE

Renewable resources are natural resources that grow back, such as wood and sugar cane. As the world's leading supplier of wood fibre-based carton packaging, we believe using renewable resources, when managed responsibly, creates market differentiation. It is also a prerequisite to meet future raw material scarcity and cost increases.

Using responsibly managed renewable source materials means ensuring a supply of packaging material to protect food and forests for this generation and those to come.

DESIGN FOR ENVIRONMENT

We have high ambitions to develop new packaging solutions that have a lower carbon footprint and contain more renewable material. One challenge is to reduce environmental impact while keeping the product in perfect condition throughout the life cycle of a product.

In line with our environmental strategy to drive environmental excellence, each Tetra Pak package therefore undergoes a stringent environmental assessment to identify environmental aspects, impacts, risks and opportunities, set environmental requirements and targets, and check legal compliance. Any necessary studies and investigations are documented in an environmental assessment report.

This information is then systematically integrated by our Design for Environment (DfE) process into our innovation and maintenance activities, ensuring the full environmental impact of a new package and associated machinery is calculated and minimised. The earlier DfE can be integrated into our innovations, the bigger the cost savings, the lower the environmental and business risks, and the greater the market opportunities.

PACKAGING INNOVATIONS

Our product innovations span functionality to meet changing consumer behaviour and expectations, and to meet the needs of particular market segments: improved caps that are easy to open while keeping the unopened product tamper-proof; on-the-go single serving packages; designs that make more packages fit on a pallet and thereby make transport even more efficient; greater renewable content; and solutions that engage consumers to recycle more.

Consumer expectations

As product functionality and consumer experience are principle drivers of our development activities, we have introduced a number of openings and closures to enhance the functionality of packages with particular users in mind.

These include HeliCap, a one-step screw cap designed to provide a good grip with a clearly visible tamper evidence ring, DreamCap, an ergonomically designed closure for on-the-go consumption, and the angled top of the new Tetra Brik® Aseptic Edge range, which allows more space for the fingers, making the cap easier to grip.

During 2013, five of our packages were certified by the Swedish Rheumatism Association (SRA) for their ease of use. This means that a total of 10 Tetra Pak packages have received the Association's seal of approval since 2007.

The SRA is well-recognised in the packaging industry as an authority in the assessment of product functionality. Adopting internationally recognised testing protocols, the Association certifies products that are easy to open, close and use, recognising the specific needs of people with reduced hand strength, including the elderly and those suffering from rheumatism-related diseases.

"We have been impressed by Tetra Pak's dedication and continuous efforts to ensure that their packages are easy to use by all consumers."

Anne Carlsson, President, Swedish Rheumatism Association

Packaging design

Improved environmental performance

Some product innovations are made in response to increasing demands for even lower environmental impact and better solutions to facilitate recycling, especially where waste management infrastructure calls for it.

Our new Tetra Top® with Separable Top is an innovation that enables consumers to detach the plastic top from a carton sleeve, allowing them to be recycled separately. Consumers can easily separate the plastic top from the sleeve with a simple thumb press, thanks to the pre-cut perforation on the outer layer of the cardboard. This is achieved without affecting the functionality of the package.

Arla Foods in Denmark and Sweden has already introduced Tetra Top® with Separable Top into its product range.

"It was very well received by all our key stakeholders. Over 80% of consumers appreciated being able to separate the top and 77% said they would recycle more. We now have more than 35 product variants with the Tetra Top® Separable Top on the Swedish market."

Ann Bergman, Senior Manager Marketing and Brand,
Arla Foods Sweden



CANNED FOOD – IN A CARTON

Tetra Recart is the first retortable carton package designed for shelf-stable products that are traditionally filled in cans, glass jars or pouches, such as vegetables, beans, tomatoes, pet food, soups and sauces. Retorting means that the food is sterilised inside the sealed package by applying heat

and stays fresh for up to 24 months. The carton is easy to open, store and recycle, occupies up to 40% less shelf space than a round container and, thanks to its square shape and light weight, is efficient to handle and transport.



80%

Annual increase
in packages with
bio-based caps.



Equipment innovation

Our food processing and packaging technology needs to provide our customers with production solutions that cannot compromise on food safety or the quality of the contents. But customers have their own efficiency and sustainability goals, and our equipment must support their objectives and even provide new market opportunities. To help them to achieve high operational performance and cut costs, our processing and filling equipment must also help them reduce their use of energy and water, and avoid wastage in terms of food waste and other spoiled materials.

OUR EQUIPMENT PORTFOLIO

As well as cartons and packages, we offer our customers a wide variety of equipment for the processing, filling and packaging of food and beverage products. We can supply complete solutions for the processing of dairy products, beverages and prepared foods, as well as particular processes such as UHT treatment, pasteurisation and sterilisation.

We can also provide our customers with filling lines, technology for the application of lids and straws, and distribution equipment such as conveyor belts, crates and film wrappers, while our service solutions include installation, servicing and maintenance, and training.

TOTAL COST OF OWNERSHIP

When selecting equipment, it's important to have a clear understanding of all the costs involved, not just the initial price tag. Tetra Pak can help its customers calculate the total life-cycle costs of a processing module or line, taking into consideration parameters such as machine performance, maintenance needs and environmental performance. Only with the full picture can you make meaningful comparisons and informed choices.

NEW PRODUCTS



By providing solutions that reduce energy and water consumption, and limit product losses, Tetra Pak can help its customers achieve their environmental objectives and reduce their operational costs at the same time. In this way, we can strengthen our value proposition and enable environmentally efficient food production.

We help our customers to control costs and minimise their environmental impact through innovations in our processing technology. Our most energy-efficient filling equipment uses less than a third of the energy of

standard machines from the 1990s and, since 2000, we've halved the water consumption of our filling machines.

Processing solutions sales reached EUR 1.5 billion in 2013, a 16% increase year on year, with solid growth in all markets. During the year, we developed a new version of Tetra Therm® Aseptic Flex, the continuous aseptic processing unit for indirect UHT treatment of dairy and other food products. Meanwhile, Tetra Vertico®, a new generation of heat exchanger unit (pictured), improves energy efficiency in heating and cooling a wide range of prepared food products.

Other new equipment and service innovations that supported customers in reducing their environmental footprint included TPMS (Tetra Pak Maintenance System) On-line, which schedules machine maintenance when required rather than according to a standardised schedule, significantly improving efficiency and optimising performance.

MACHINE OPTIMISATION AND COST SAVINGS

Peter Kaiser, Maintenance Manager at Tetra Pak, discusses how the company's maintenance platform ensures machine servicing can be anticipated and scheduled, delivering greater up-time and faster issue management.

TURNING WASTE INTO INCOME

With the acquisitions of Filtration Engineering and DSS Silkeborg in 2012 and 2013 respectively, Tetra Pak's processing business is now the market leader in filtration systems for milk, cheese and whey applications. We now have important in-house expertise in reverse osmosis, nanofiltration and microfiltration, and we are now focused on applying these technologies across a range of applications.

This means that we don't just provide our customers with ways to cut waste, we also provide them with new market opportunities. For example, a common by-product of cheese production, whey is often dumped as food waste but now it can be turned into a valuable product. Whey is only valuable when concentrated, but the filtration technology needed has traditionally been highly customised and too expensive for most small and medium-sized dairies. So in September 2013, we launched Tetra Alcross® RO Lite, a filtration system that helps small and medium-sized dairies extract value out of whey that costs about 30% less than the customised alternatives.

The system uses a process of continuous reverse osmosis filtration to remove excess water from the whey, tripling its concentration while retaining dissolved salts, lactose, acids, proteins, fats and bacteria. This concentrated whey can then be sold to food processors as an ingredient in a number of products, bringing a valuable income stream, while also significantly reducing or eliminating unnecessary transportation and waste handling costs.

"Tetra Alcross RO Lite is a great example of how we seek to deliver value to our customers. This cost-effective whey filtration solution helps small- and medium-sized dairies compete on more even footing with larger dairies, while also improving their profitability and decreasing their environmental footprint."

Jaco Baron, Food Category Director – Cheese, Tetra Pak

Case stories

BIO-BASED CAPS



Bio-based caps are a milestone on our long-term environmental innovation journey to provide our customers with a fully renewable package. By using bio-based caps derived from sugar cane, we increase the renewable content of our packages and reduce the environmental footprint.

In 2013, we took major steps forward with the global release of the bio-based LightCap™ 30, made from high-density polyethylene (HDPE) derived from sugar cane. The Norwegian dairy cooperative TINE was our first customer in Europe to use bio-based caps.

And in March 2014, we launched the world's first bio-based opening for gable-top packages, also made from HDPE. The bio-based version of TwistCap OSO 34 increases the proportion of renewable material in a one-litre Tetra Rex carton by 4% to a total of 84%.

AWARD-WINNING ASEPTIC PACKAGES

Two of our aseptic packages have recently won design awards.

In November 2013, the Tetra Brik® Aseptic 1000 Edge carton package won a prestigious 2014 WorldStar Award and was commended for its environmental credentials and ingenuity of construction, as well as superior handling for consumers and graphic design potential for customers.

Up against almost 250 products, the Tetra Brik® Aseptic 1000 Edge with LightCap™ 30 screw cap features a distinctive sloping top panel, which offers improved stacking capabilities and recyclability benefits. Since its launch in 2011, it has been deployed by more than 50 dairy and juice customers in more than 25 countries.

And in February 2014, we won a 2014 International Forum Packaging Design Award (the iF award) for Tetra Evero® Aseptic, the world's first aseptic carton bottle for ambient white milk. The package was recognised for its outstanding environmental performance and food protection capabilities, among other aspects.

Having won the award, our customers will be able to use the iF logo on all Tetra Evero® Aseptic packages.



Case stories

FREEZING ICE CREAM PRODUCTION COSTS



Our latest high-capacity freezer can handle the production of ice cream at the highest product quality and lowest production costs in the industry.

New technology, in the form of the hygienically designed Tetra Pak Continuous Freezer 2000 A 2.0, means our units can produce up

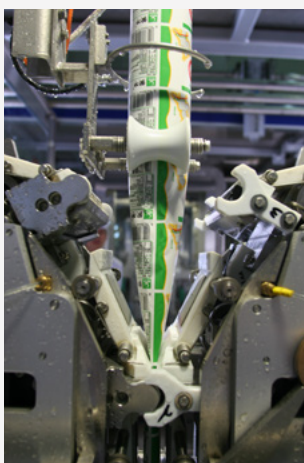
to 2,300 litres of ice cream an hour. The freezers are safe and easy to operate, and require minimal maintenance.

Improved start-ups allow our freezers to greatly reduce product losses, and energy-efficient operation enables our customers to use fewer raw materials and significantly cut their operational costs.

PERFORMANCE AUDITS IN CHINA

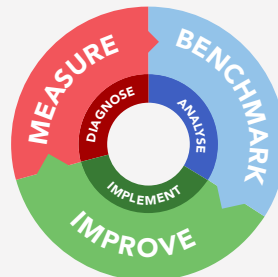
Tetra Pak has supported the complete optimisation of a manufacturing plant for Yinlu, a well-established family-owned brand in China. The performance assessment service of the whole production system covered processing modules, automation and cleaning-in-place (CIP), and considered safety, hygiene and environmental aspects.

Tetra Pak initiated the project by sourcing background information from our customer on plant production, energy consumption and current issues or bottlenecks. Based on the information gained and the on-site audit, a report was compiled that indicated 133 areas for improvement.



The assessment showed that annual cost savings of EUR 4.8 million could be achieved, including a saving of EUR 2.7 million by cutting down on energy, waste, waste water and steam, and that water consumption could be reduced by 13%.

ENVIRONMENTAL IMPROVEMENT SERVICES



Through our new Environmental Improvement Services offer, we are helping our customers to minimise their environmental impact and maximise the profitability derived from their operations.

Our main market for these services is customers with environmental Key Performance Indicators

built into their business goals. By tapping into our food manufacturing knowledge, we can measure how customers operate their factories and assess the environmental impact of their utilities, plant, equipment and operations in three stages:

- To help our customers identify and evaluate the opportunities, we start by measuring their current environmental performance.
- Then we conduct a more in-depth analysis to benchmark them against other customers and quantify the opportunities for potential environmental improvements, savings and return on investment.
- We then develop a roadmap to implement activities that will reduce their environmental impact, improve their productivity and product quality, and deliver financial savings.

In one example from 2013, our environmental improvement service identified an opportunity to save a customer up to 3,500 tonnes of CO₂ and 26.5 million litres of water. In addition to the environmental benefits, we also found that implementing the opportunities would bring about cost savings of around EUR 550,000.