

BAIADA PTY LIMITED



NATIONAL PACKAGING COVENANT ACTION PLAN 2005 – 2007

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1.0 EXECUTIVE SUMMARY

Baiada Poultry Pty Limited (“Baiada”) is a privately owned Australian company which provides premium quality poultry products throughout Australia.

Our business operations include Broiler and Breeder farms, Hatcheries, Processing Plants, Feedmilling and Protein Recovery. Our products include sales of live poultry including breeding stock, poultry feed, fertile eggs, day old chickens, primary processed chicken (raw) and further processed chicken products.

The company has its Head Office at Pendle Hill, 30 km west of Sydney, and has an employee base of approximately 2500 people. Other major operating centres are located in Brisbane, Melbourne, South Australia and Tamworth in northern New South Wales.

At Baiada Poultry our primary objective is to provide our customers with high quality products and excellent service.

This Action Plan will encompass the materials used in chicken processing and manufacturing covering plants now located at:

New South Wales:

Pendle Hill Processing Plant – primary processing to produce dressed poultry meat

Pendle Hill Further Processing Plant – producing value-added chicken products

Tamworth Processing Plant – primary processing to produce dressed poultry meat

Victoria:

Laverton Primary Processing Plant – primary processing to produce dressed poultry meat

South Australia:

Adelaide Poultry – primary processing to produce dressed poultry meat

The processing plants have been targeted in Baiada’s Plan as they are the primary users of packaging in the Group. The other entities use minimal amounts of packaging so are not directly targeted for inclusion at this point; however, some operations may still be indirectly impacted by the scope of this Action Plan.

Baiada became a signatory to the National Packaging Covenant (“the Covenant”) in September 2001 and is committed to initiatives that will reduce impacts on the environment and lead to sustainability through responsible corporate activities.

This Action Plan outlines the steps that Baiada Poultry will undertake to meet the expectations of the Covenant in line with existing commitments outlined in the Company’s Environmental Policy and through its evolving Environmental Management System. The Plan also strives to achieve improved



environmental outcomes for packaging utilised whilst maintaining the quality and safety standards already achieved for the consumer.

In this respect, the key target areas for Baiada's Covenant approach are to:

- Work closely with relevant suppliers, customers and other key stakeholders to implement actions that support Covenant objectives;
- Minimise packaging waste throughout the life cycle of the packaging product through recycling, improved communication with customers / suppliers, redesign of packaging materials without compromise to quality or consumer safety and other initiatives described in this Plan;
- Provide employee education to ensure that Baiada's commitments are supported and hence met;
- Maintain Executive Management support for all commitments;
- Support the kerbside recycling programs for consumer packaging
- To provide employee education
- To establish specific projects to meet the aims of the National Packaging Covenant
- To formulate a reporting mechanism to enable timely and accurate monitoring and reporting of the mandatory Key Performance Indicators required by the Covenant.

Baiada is submitting its first two-year Plan covering the period June 2005 to June 2007 which focuses on the four chicken meat processing plants described.

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SECTION 2.0 COMPANY DESCRIPTION

2.1 Background

Baiada Poultry Pty Limited is an Australian family-owned business founded in 1943. Primarily based in New South Wales, the acquisition of Marven Poultry assets in July 2001, Eatmore Poultry in July 2002 and then most recently, Adelaide Poultry, in March 2004 (previously privately owned poultry businesses) has enabled the company to recently expand into Victoria and South Australia and grow to become the third largest poultry producer in Australia, currently representing approximately 19% of the national chicken meat market.

The company is still wholly owned by the Baiada family; indeed, the Managing Director and General Manager are grandsons of the founder, Celestino Baiada. Celestino's six children comprise the Baiada shareholders.

Baiada is a fully integrated business whose operations include breeding stock, production of its own day old chicks, chicken growing, primary processed and further processed chicken products as well as two protein recovery plants, a feedmill, a fresh pet food plant and a testing laboratory.

Dressed chicken meat products are marketed under the "Baiada" and "Lilydale Select Free-Range Chicken" brand names as well as the various retail brands of Baiada customers.

The company's major customers for its dressed poultry products include KFC, Red Rooster, Coles, Woolworths and Qantas. Baiada also sells live chickens, fertile eggs, feed products and pet food products as part of its diverse operations.

2.2 Products and Packaging:

Baiada Poultry markets an extensive range of products to the consumer through supermarkets and chains, fast food outlets, government organisations, flight catering operations, cafes and restaurants. Its product range covers:

- Fresh and frozen chicken – whole, pieces and fillets (both intensively produced and free range);
- Smoked chicken products;
- Marinated chicken products;
- Cooked chicken products, both ready-to-eat and oven-ready and
- Further processed chicken products, such as kebabs, schnitzels, chicken roll

The primary types of packaging used to contain and transport Baiada products include:

- Cardboard cartons
- Plastic tubs
- Polyethylene bags
- Polyethylene liners
- Polystyrene black trays
- Self absorbent trays / polystyrene trays
- Polypropylene labels



- Paper-based labels
- Shrink wrap
- Soaker pads
- Metal clips
- Wooden pallets
- Plastic pallets
- Black cable ties
- Packing tape

2.3 Covenant Commitment:

Baiada became a signatory to the Covenant as part of its ongoing commitment to its overall environmental management program. The Covenant provides a foundation for continued environmental improvement and will promote increased emphasis and focus on packaging-related issues. Baiada's Covenant commitment will affirm the responsibility adopted by Senior Management to meet all legislative requirements, meet our moral obligations and strive to maintain positive customer and public perceptions in all facets of business activities whilst promoting sustainability.

2.3.1 Scope of Action Plan

This Action Plan covers the reporting period from June 2005 to June 2007. Baiada is committed to submitting an Annual Report on performance measured against the Action Plan for that fiscal year.

Packaging is primarily used in the primary processing plants and further processed products within the Baiada Group. The other activities within the Group (livestock – breeder and broiler farms and hatcheries, feedmilling, protein recovery plant, laboratory) do not use significant amounts of packaging and are therefore excluded at this stage, so that the on-going focus targets aspects of company operations where maximum gains can be achieved.



SECTION 3.0

COMMITMENT TO THE ENVIRONMENT

3.1 Framework for Environmental Management

3.1.1 Environmental Policy / Corporate Commitment

Baiada is committed to promoting sustainable practices and systems to protect and enhance the environment. Our Environmental Policy (available on the Baiada website at www.baiada.com.au) was reviewed and reissued in April 2006, and the Company is continuing with the Certification of all sites under an Environmental Management System to meet ISO 14001:2004 Standard.

3.1.2 Environmental Management System

The core goals in environmental management over the past four years have been to maintain regulatory compliance and to improve environmental management through implementation of a system to ISO 14001 standard. To date, Baiada has implemented an Environmental Management System (ISO 14001:2004 certified) across its company broiler farming activities, the hatcheries at Marsden Park and Winton, Head Office, the primary processing plants located at Tamworth and Pendle Hill, and its two protein recovery plants at Oakburn and Valley Feeds outside Cessnock. Baiada is currently working to certify the remaining Baiada sites, particularly the remaining processing plants.

The Environmental Management System will improve the awareness and overall management of the environment. In areas where there is potential for pollution to occur, pro-active pollution reduction programs are in place to prevent and mitigate any potential emissions.

As a Covenant signatory, it is Baiada's intention to integrate this Action Plan across the relevant business units to achieve the stated objectives and to provide a reporting facility to ensure that actions are met in the stated time frames.

3.1.3 Employee Education

Baiada employees currently undergo environmental training and awareness sessions as part of the standard induction procedure. New employee training includes an overview of the Environmental Policy, and an understanding of roles and responsibilities to support the introduction of the EMS. On sites that are within the scope of the EMS, regular environmental awareness training is conducted with a focus on the Covenant, where applicable.

3.2 Environmental Initiatives

Baiada's ongoing commitment to improve environmental performance is reflected in the annual expenditure on initiatives to help minimise any environmental impacts directly attributed to company activities. In 2001 -02 financial year, Baiada invested considerable capital on the following projects:

- Construction and commission of a biological filter at the protein recovery plant which treats odourous sources using biological media in the process;
- Research into methods of controlling odour emissions from poultry sheds;
- Acquiring buffer zones around problem sites



- Extensive landscaping of many sites to improve visual amenity, buffer noise and dust emissions and to contribute to the minimisation of greenhouse gases;
- Improvements to existing systems such as waste water treatment and efficiencies in use of energy and water;
- Provision of additional resources, including technical input, to assist the management and implementation of environmental programs.

Further projects underway in the 2002-03 financial year include:

- Development of odour reduction technologies for new and existing processing plants
- Improvements in waste water disposal at hatchery sites and significant water reduction achievements through recycling and management.
- Continued business alliance with Featherdale Wildlife Park in providing land for their plantation of trees to feed their captive koalas.
- Design and approval for a further protein recovery plant in Victoria.

During the 2003-04 financial year, the following major projects have commenced:

- Construction of a biofilter at Pendle Hill Processing Plant
- Development of recycled water system at Tamworth Processing Plant
- Treatment of waste water at Pendle Hill for irrigation locally
- Connection of two major hatcheries to local sewerage services

During the 2004-05 financial year included:

- Commissioning of the Pendle Hill biofilter
- Research on alternative methods of disposal of waste water treatment plant sludge
- Design of a first flush system for Pendle Hill
- Involvement in the NSW Cleaner Production Project
- Redesign and upgrade of the waste water treatment plant at Oakburn
- Improving waste water quality at Laverton Plant
- Reducing water usage in all plants, with exceptional success in Tamworth where water consumption has been reduced by half.

3.2.1 Environmental Initiatives (Packaging Related)

- Labelling of all cartons used in the manufacturing process to include the message "Please Recycle" and "Please Recycle Strapping".
- Purchasing procedures to streamline packaging suppliers. This process included comparative analysis of selection criteria that included "environmental impact of products, packaging and manufacture";
- Investigation and trial of lightweight plastic liners;
- Investigation and trial of a new cardboard carton shape, which effectively reduces the total quantity of cardboard packaging required per unit; and
- Increase in supply of bulk materials, where possible, thus reducing packaging use



3.2.2 Waste Minimisation and Recycling

Baiada is conscious of the need for businesses to minimise waste and to promote recycling, and so is currently examining further opportunities for waste minimisation and recycling. As a result, some of these involve the following:

- Recycling of cardboard cartons;
- Recycling of broken plastic chicken crates;
- Re-use of cardboard egg fillers;
- Recycling of plastic hatchery trays
- Recycling of aluminium cans;
- Recycling of water re-used for wash down areas of the processing plants, and
- Recycling of cotton gloves.
- Recycling of broken plastic dressed chicken containers (tubs)

These projects provide a basis for further waste reduction initiatives and will be ongoing over the duration of Baiada's Covenant approach. Progress will be reported on in Annual Reports, where applicable.

Most of the animal waste from hatcheries, farms and processing plants is currently recovered and processed into animal feeds. The protein recovery plants are located in Tamworth and Hunter Valley regions, recycling most of the waste products from our Processing Plants, Hatcheries and Farms. These waste products are hygienically processed, converting them into useful ingredients, such as poultry meal, feather meal and tallow, which are used locally or exported as ingredients for use in pet food and stock feeds.

Most recently, a senior National Manager was appointed to recover and reduce poultry waste including increasing the generation of saleable offal and by-products.



3.3 COVENANT APPROACH

The Action Plan for 2002-03 was primarily formulated to collate more detailed baseline information. This has enabled a benchmark to be established to measure improvements stated in the 2003-04 and 2004-05 Action Plans. For the next two years, a process of continual improvement is the main focus of the Plan as well as examining innovations in packaging recyclability which has proved to be limiting in the past due to the nature of the food product produced. The level of site involvement in the execution of the Covenant Action Plan is to continue as this has proved to be invaluable in both ensuring objectives are met, and increasing awareness amongst key staff members in Operations.

3.4 PACKAGING MATERIAL FLOW

In developing the 2002-03 Action Plan, Baiada conducted a preliminary analysis of the flow of packaging. This was to assist in:

- Identifying types of packaging utilised
- Identifying volumes of packaging utilised
- Highlighting areas where environmental performance could be improved.

Using this approach, Baiada developed commitments under the following three (3) areas of influence:

- **Material Input** – ie. focusing on materials that are purchased and consumed by Baiada.
- **Operations** – ie. internal operations.
- **Material Output** – ie. extended producer responsibility for the packaging once it has left Baiada.

However, for this current Action Plan, the commitments have been developed under the principles of the Covenant and are listed under their appropriate categories. Areas not fully completed under the 2004-05 Plan have been carried over into this current Plan, where appropriate.

3.5 MAJOR ACHIEVEMENTS UNDER THE NATIONAL PACKAGING COVENANT

Since joining the National Packaging Covenant, Baiada Poultry has undertaken many initiatives and achieved significant results, which are listed as follows:

- Introduction of a system to record all packaging purchases and usage across all plants
- Rationalisation of the procurement chain to streamline packaging suppliers in line with Covenant commitments, but still meeting Baiada's needs in terms of maintaining product integrity and hygiene.
- Incorporation of the use of the Environmental Code of Practice for Packaging for all new packaging, including documentation of same
- Commencement of waste audits to identify areas for further reuse and recycling, resulting in cardboard and plastic recycling at most plants
- Development of a staff education program and provision of Covenant updates through the Company's newsletter



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- Development of an environmental component on Baiada's website as well as publishing of its Action Plans
 - Appropriate identifiers on packaging stating: "Please Recycle" on cartons, "Please Recycle Strapping" on all packaging using recyclable strapping, and "Please Dispose of Thoughtfully" on all non-recyclable packaging.
 - Review of the Company's Environmental Policy to capture the Covenant commitment
 - Continual working with suppliers to improve recyclability
 - Offering green bags and insulated coolers for sale in retail shops to avoid use of plastic bags
 - Modifications to carton size and shape to minimise amount of cardboard used and to maximise distribution space
 - Moving to bulk packaging where possible
 - Establishment of volumes of waste sent to landfill to compare to increased volumes for recycling
 - A growing number of Baiada sites have been involved in Business Clean Up Australia Day for the past two years



4.0 BAIADA POULTRY PTY LIMITED ACTION PLAN JUNE 2005 – JUNE 2007

COVENANT OBJECTIVE: PACKAGING DESIGN			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
1. Baiada will continue to evaluate packaging changes and new packaging using the revised Environmental Code of Practice for Packaging.	All packaging assessed in line with The Code – Marketing Team. Meeting requirements of The Code where possible – Product Development.	Completion of checklist during assessment. Checklist will be kept on file.	Checklist developed by 31 December 05 Fully in use by 1 January 2006
2. Commit to continue working with suppliers to continually improve design & recyclability.	Minimising packaging used and promote improved recyclability – Marketing Team / Sales / Packaging Suppliers.	Covenant KPIs.	To be reported in fourth year Annual Report.
3. To 13. : Supplied Commercial in Confidence to Covenant Council			See Appendix 1

COVENANT OBJECTIVE: PRODUCTION			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
14. Examine possibility of using one to two automatic pallet wrapping machines	To reduce amount of shrink wrap used / minimise waste Purchasing Dept.	Compare volumes of shrink wrap used pre and post use	30 June 2006
15. to 18. Supplied Commercial in Confidence to Covenant Council			See Appendix 1

COVENANT OBJECTIVE: DISTRIBUTION			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
19. Supplied Commercial in Confidence to Covenant Council			See Appendix 1



COVENANT OBJECTIVE: DISPOSAL			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
20. Conduct waste audit at Adelaide Poultry	To examine possibilities for further recycling. Purchasing Manager	Results of audits.	Audit to be completed by 1 March 2006.
21. Establish further recycling based on results of waste audit including cardboard and plastic at Brisbane Distribution Depot.	To divert material from landfill to recycling. Purchasing Manager / Processing	Volumes of waste to landfill compared to volumes for recycling (see points 18 and 19)	See points 22 and 23
22. Establish volumes of waste sent to landfill	Continued monitoring to assess progress. Accounts Dept	Volumes to landfill measured in tonnes / m ³	Volumes calculated bi-annually: Dec 05 and Jun 06
23. Establish volumes of recyclable waste	Continued monitoring to assess progress. Accounts Dept	Volumes to recycling measured in tonnes / m ³	Volumes calculated bi-annually: Dec 05 and Jun 06
24. Business Clean Up Australia Day 2006 – events to be organised in Sydney, Tamworth, Victoria, Queensland and South Australia	To improve visual amenity of site and immediate surrounds. To remove litter. To be organised by Marketing Dept	Improved visual appearance.	March 2006
25. Business Clean Up Australia Day – Sydney – to work with Council to involve more businesses around the area	To improve visual amenity of site and immediate surrounds. To remove litter. To raise awareness amongst other businesses in the area. To be co-ordinated by Marketing Dept	Improved visual appearance of local area and raise awareness in regard to Clean Up Day locally.	March 2006
26. To assess benefits of using compactor	To reduce space for recycled material on site Purchasing Dept – Laverton	M ³ of material after compacting	March 2006

COVENANT OBJECTIVE: RESEARCH			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
27. Implementation, where possible, of Buy Recycled purchasing policy	Increased use of packaging and any other relevant purchases with recycled content, where possible. Marketing / Purchasing Depts.	Volumes of packaging with recycled content used and sold into the market.	Implement by July 2006

COVENANT OBJECTIVE: MARKET DEVELOPMENT			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
28. To investigate opportunities to use top seal products on tray pack items.	This would decrease overall use of plastic by approximately one-third. Purchasing Dept.	Volumes of plastic wrap used pre and post top sealing.	Assess feasibility and opportunities by June 2006.



COVENANT OBJECTIVE: EDUCATION			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
29. Production staff education regarding recycling	To continue as part of Environmental Awareness training sessions. Environmental Risk Manager	Number of persons trained & success of recycling programs	Every six months for processing sites.
30. Continue updates in Company Newsletter six monthly	To promote Covenant awareness amongst staff and other stakeholders. Environmental Risk Manager.	Number of articles printed.	Current & on-going
31. Action Plan for 2005-07 to be uploaded on Company website	To inform the public and users amongst stakeholders of Covenant commitment. Marketing Dept.	Website updated.	Once approved by Covenant Council.

COVENANT OBJECTIVE: LABELLING			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
32. Supplied Commercial in Confidence to Covenant Council			See Appendix 1

OTHER AREAS FOR ACTIONS			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
33. Baiada is striving to certify all processing plants to the International Standard for Environmental Management Systems (ISO14001).	Improved environmental management. National Environmental Risk Manager	Number of sites under Certification. Processing sites underway - still to be completed are Adelaide Poultry and Laverton, Victoria.	Current and on-going
34. Baiada will investigate opportunities to consolidate waste management contracts across processing plants and further increase resource recovery initiatives.	More efficient mechanisms to recover resources and divert waste from landfill. Purchasing Dept.	Volumes of waste diverted from landfill. Cost savings obtained through consolidation of suppliers.	To occur in line with the waste audits and recycling opportunities as they are identified.
35. Send electronic Christmas Cards	Will save 1,600 paper cards and envelopes – donating monies in lieu of cards to charity.	Approximately 1600 cards and envelopes saved.	Commencing Christmas 2006
36. Reduce consumption of polystyrene cups	These are not recyclable – reduce usage as much as possible. All Departments	Volumes of cups purchased pa	January 2006



WHOLESALE AND RETAILING			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
37. Provide data regarding changes in packaging made in response to changes in consumer demand	To advise Environmental Risk Manager when changes occur so that data can be provided. Sales / Marketing Depts	Compare / measure effects of changes.	Current and ongoing.
38. Educate community on the role of packaging and how to handle packaging waste	Various packaging labelled: "Please Recycle" "Please Recycle Strapping" "Please Dispose of Thoughtfully"	Labelling on appropriate packaging.	Current and Ongoing.

RECYCLING AND REPROCESSING			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
39. To audit general waste from use of amenities	To establish basis for possible recycling of materials used eg. Cans, cartons, PET bottles, etc. Environmental Risk Manager	Documented Results of audits.	Commence audits January 2007.
40. To recycle amenities waste based on outcome of waste audits	To set up recycling bins and facilitate collection. Processing Dept.	Volumes of recycled waste diverted from landfill.	Commence recycling by March 2007.

KEY PERFORMANCE INDICATORS			
Action	Outcome / Responsibility	Performance Indicator	Target Timeframe
41. Determine weight of each individual type of packaging used	To enable reporting of KPI's to NPCC. Purchasing Dept.	Weights determined and available to enable reports to be generated.	31 December 2005
42. Develop recording / reporting mechanisms to meet the NPC KPI requirements and to establish benchmarks.	1) Total weight of consumer packaging sold expressed as a ratio of total weight of products packed. 2) Total weight, by type, of "non-recyclable" packaging sold per annum into the Australian market. 3) Estimated tonnage of consumer packaging recycled 4) Estimated tonnage of consumer packaging sent to landfill Finance Dept.	Volumes expressed as %	Reports available by 31 January 2006.



5.0 MONITORING AND REPORTING

Progress will be monitored and measured throughout the life of the Plan by the key members of the Baiada Covenant Committee.

On this basis, an Annual Report shall be prepared and submitted to the Covenant Council to reflect progress on Year 4 commitments by 31 October 2006, and every year thereafter.