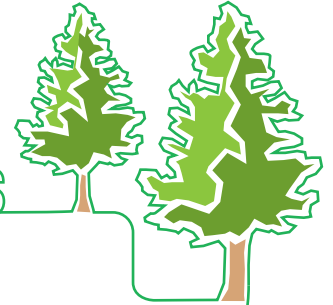


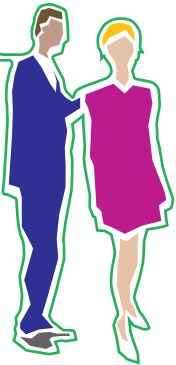
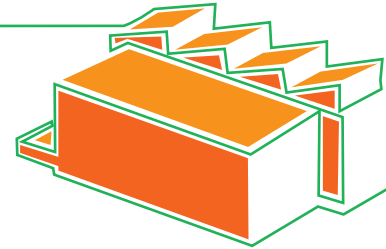


Our World

Our Materials

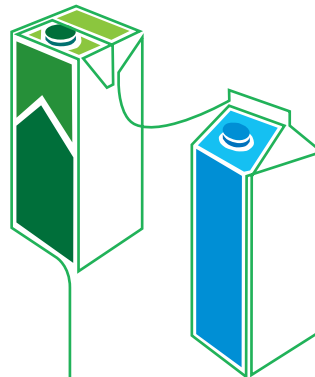


Our Operations



Our People

Our Customers



 **Tetra Pak**
protects what's good™

UK Sustainability Report 2007

Introduction

Our promotion of post-consumer recycling, along with work to minimise our impact on climate change saw us named Environment Company of the Year in the 2006 UK Packaging Awards.



As we enter into our fourth year of reporting on our performance in all economic, social and environmental focus areas, I am pleased to welcome you to our 2007 Sustainability Report. I hope you'll agree that we have a good deal to be proud of, not only in demonstrating our commitment to sustainable development and delivering on our promises, but also in highlighting areas where we can continue to improve. We have sought to report honestly and openly on both.

Sustainable development is fundamental to our business, our industry and our customers. From the very beginning, we have included sustainability thinking in all aspects of our value chain, from the sourcing of raw materials to the consumer's desire to recycle. In fact, more than 50 years ago our founder Dr. Ruben Rausing coined the tenet "A package should save more than it costs". This principle still guides our strategic direction. Indeed, it's not only our products that protect what's good, but also our actions and our attitudes.

As we go to press, we have four National Recycling Officers who are creating a step-change in the number of local authorities which have carton collection facilities, now boosted to over 175. We have committed to achieving national carton collection during 2008. These achievements haven't gone unnoticed. I'm proud to announce that our promotion of post-consumer recycling, along with work to minimise our impact on climate change saw us named Environment Company of the Year in the 2006 UK Packaging Awards. This follows our success in the 2005 Wales Environment Awards where we were the overall winner.

In September 2006, we merged our operations with Tetra Pak Ireland to form the new UK and Ireland Market Area. As we begin to integrate our structures, so too will we begin to integrate our data. In this report, our data refers to our performance in 2006 in the UK market, with a promise to expand both our approach and our figures to our Irish operations next year.

We are committed to working with all our stakeholders to improve our sustainability performance, from retailers to NGOs to suppliers to employees, and hope you will learn a little more about the steps we continue to take to be efficient, profitable and sustainable.

A handwritten signature in black ink, appearing to read "P. Knutsson".

Peter Knutsson
Managing Director
Tetra Pak UK & Ireland

Highlights

Over the year we have invested a significant amount in post-consumer recycling as we have continued to help build the UK's infrastructure for carton recycling, but 2006 was about more than just recycling.

- We re-joined WWF-UK's Forest & Trade Network, re-asserting our commitment to responsible forestry management and 29% of our paperboard was FSC certified.
- **We employed a National Recycling Officer and launched the £1.2 million National Recycling Fund through ACE UK.**
- We helped increase the number of local authority areas where cartons could be recycled from 30 to 82.
- **We launched our World Class Manufacturing Environment Pillar, helping us to further increase efficiencies.**
- We have reduced our carbon emissions by 22.7% over the last five years, continue to be carbon neutral and 60% of our offsets will be Gold Standard certified.
- **84% of our employees said that they were proud of the work they do.**
- We paid 95% of our suppliers' invoices within 30 days.
- **We launched our UK Diversity Network.**

2007 Priorities

- Integrate both UK and Irish market data into a single report.
- Launch an FSC certified package on to the UK market.
- Continue to drive down carbon emissions.
- Develop a programme of Life Cycle Analysis to fully understand cartons' environmental impact.
- Consolidate and build on our relationship with WWF-UK.
- Continue to roll out our Leadership Excellence and Performance (LEAP) training across the entire company.
- Fully engage employees through our Table Talk programme.
- Improve our performance for filling machine installation projects.
- Achieve 70% coverage of the UK with some form of carton collection.
- Launch a new post-consumer recycling website with interactive map.

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Our World

Type 'climate change' into Google and you'll be flooded with 105,000,000 results.

2006 has been a busy year for sustainability here in the UK. Type 'climate change' into Google and you'll be flooded with 105,000,000 entries. The environment became a key political battleground, and the prospect of a General Election will fuel the debate further. This political and media climate has of course impacted the packaging market, whether from a greater environmental focus from retailers or Defra (Department of Environment, Food and Rural Affairs) reviewing its Waste Strategy. To help us understand these changes, we asked Forum for the Future, a leading sustainable development charity and one of our NGO partners, for their opinion of our market and how it is changing.

A comment from Forum for the Future

Sustainable packaging: challenge and opportunity

The context in which Tetra Pak and the packaging industry operates is shifting fast. Driven by the market, Tetra Pak's customers and their consumers, there is a real push towards sustainability. Here are four key challenges that Tetra Pak will need to respond to – plus the related opportunities that could lie ahead for those that lead the way:

1. (Re)Focus on waste

The current environmental debate is focusing on carbon and climate change, meaning issues around waste and recycling have been falling under the radar. But we are yet to resolve these problems and there is still a need to up the ante on waste reduction and recycling. Companies that lead the way in real, innovative, sustainable packaging solutions will be well positioned to respond to a refocus on waste.

2. Retailer push

All the major UK retailers, including Tesco, Marks & Spencer and Asda have been upping their game in terms of sustainability, with some serious public commitments. Innovative thinking, industry collaboration, consumer education, as well as stark sustainability leadership aspirations on the part of individual companies, will see, for instance, 25% year on year reductions in packaging (as with Asda right now) become standard. Suppliers need to sit up and take notice – and there is a real opportunity for those who step up to the challenge and offer solutions.

3. ...and customer pull

Add the fact that many city councils are making moves to incentivise recycling and reduce waste, we are likely to see a step-change in efforts to reduce product packaging. Customers will start to shun over-packaged products to reduce their own business or household costs. The growing consumer base for more ethical products is likely to make the link first. Will people want to buy organic food if it is over-packaged? Probably not.

4. Packaging and carbon

Given the current media, campaigning and now retail focus on carbon and climate change, Tetra Pak needs to have its finger on the pulse in terms of making the link between packaging and the carbon footprint of a product. As marketers are all too aware, more often than not packaging is the first contact that the customer will have with a particular product. Crucially, even if the carbon intensity of packaging is small in whole life cycle terms, it is this interface between product and customer that brings it to the forefront of the debate.

This also could mean that packaging could play its part in helping to educate consumers on the impacts of products – through carbon labelling for example. The packaging industry could collaborate with retailers and designers to make this a reality.

The key for the packaging industry will be to shake off its defensive stance and get proactive and creative on sustainable packaging design. This needs to be driven by total systems – rather than individual pack – thinking that focuses on delivering functionality, benefits and results to customers and consumers.

Vicky Murray Sustainability Advisor. *Forum For The Future*





Packaging could play its part
in helping to educate consumers
on the impacts of products

Our company

Tetra Pak is a privately-held company, founded in 1951 by Dr. Ruben Rausing, whose goal was to develop safe, hygienic packaging for milk that not only required a minimum amount of materials, but minimum distribution infrastructure. His core belief was that 'a package should save more than it costs', a powerful principle founded on both economic and environmental dimensions. This continues to remain at the heart of our business today.

Globally, Tetra Pak is divided into 11 'clusters' or groups of countries, operating in 165 countries across the world. We have been operating in the UK since 1955. In September 2006, we announced our intention to merge our Tetra Pak UK and Tetra Pak Ireland operations into a single market area. The new combined organisation – Market Area UK & Ireland – employs approximately 300 people across two sites and is expected to deliver a more competitive service to meet the increasing requirements throughout the value chain.

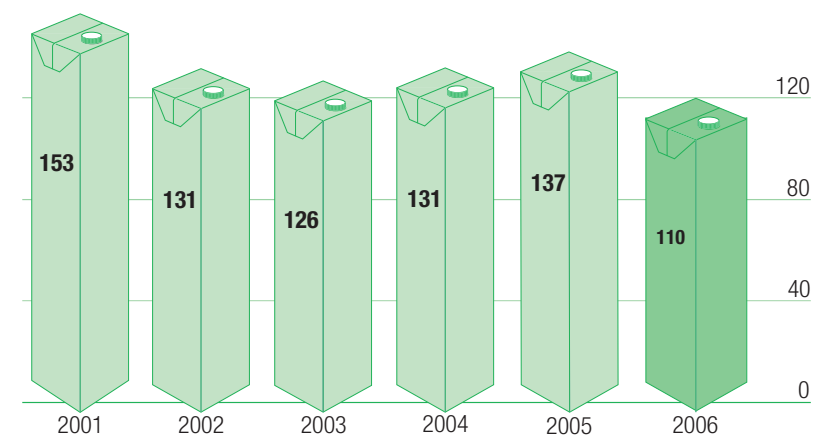
Our business

Within a highly competitive industry, with a particular market focus on plastic bottles, neither filling machine nor pack sales equalled the sales figures of 2005, hence the decline in our turnover for 2006.

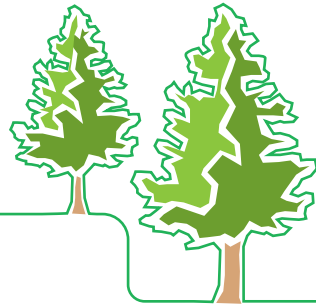
We measure our performance within the two main categories in which we operate: Juice, Nectars, Still Drinks (JNSD); and Liquid Dairy Products (LDP). Tetra Pak holds only a small share of the total JNSD and LDP markets in the UK, despite our size within the carton industry. In JNSD, our share remains under 20%, whilst in LDP it remains below 10%. Both categories are dominated by plastics such as PET (polyethylene terephthalate) and HDPE (high-density polyethylene).

The competitive pressure we face continues to build. A key focus for Tetra Pak over the past 12 months has been to respond to consumer demand for convenience. As a busy, 24/7 society demands more 'on-the-go' consumer goods, we have reacted positively by creating a range of highly-functional, re-closable and re-sealable containers. We are constantly striving to innovate and provide customers with products to help them differentiate and meet all emerging consumer needs.

Total turnover 2001–2006 (£ million)

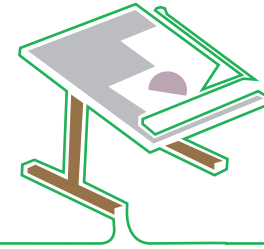


Our Stakeholders



Raw materials

- Raw material suppliers
- WWF-UK Forest & Trade Network
- Forest Stewardship Council
- Programme for the Endorsement of Forest Certification
- Forum for the Future
- Our customers



Packaging design

- Packaging Federation
- Raw material suppliers
- Our employees
- Our customers
- INCPEN

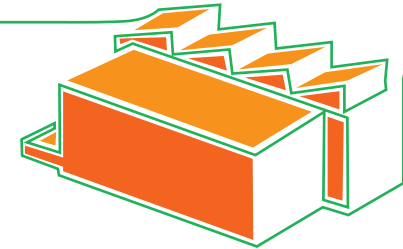
Transport

- Transport suppliers
- Our customers



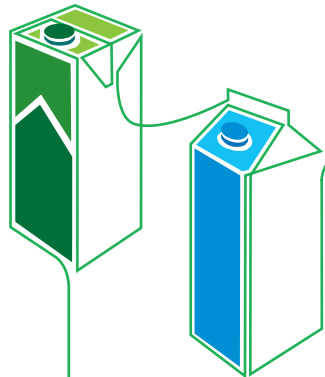
Manufacturing

- Our employees
- WWF
- International Standard Organisation
- Wrexham County Borough Council
- Residents and local community
- Our customers



Sales

- Our customers
- Retailers
- Consumers



Recycling

- Remade Scotland
- WRAP
- Welsh Assembly
- Scottish Executive
- Local Authority Recycling Advisory Committee
- Local Government Association
- Greater London Authority
- Valpak
- Local authorities
- Defra
- Green Alliance
- Retailers
- Consumers
- Chartered Institution of Wastes Management
- Welsh Environment Trust
- Waste collectors and sorting facilities
- Waste processors and recyclers
- Forum for the Future
- ACE UK



Our Materials

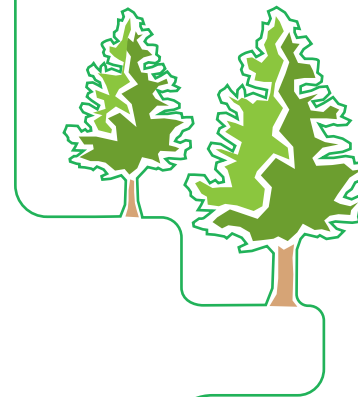
Tetra Pak can make a considerable onward impact by providing its customers with sustainable packaging products.

Cartons are predominantly made from wood, a renewable resource. This is a positive environmental attribute for a beverage package. But while wood can be managed responsibly, the trade in forest products is not without its problems. We are pleased to be re-joining the WWF-UK Forest & Trade Network and plan to minimise our own impact in these global forestry issues.

We do not use recycled material in our packages as their shorter, weaker fibres would require greater material usage to achieve the same result – contrary to our source reduction approach. However, this does not mean that our cartons themselves cannot be recycled for other uses.

Over 20 billion cartons were recycled across the world in 2006. These can be made into an array of different products, ranging from printing paper, including the paper this report is printed on, to reel cores such as those used to help distribute packaging material to our customer sites.

The residual plastic and sometimes aluminium material used in our packages can also be used for a range of different products. These range from roof tiles and panel boards with the plastic and aluminium mixes, to separate raw material uses as new plasma technology enables the two products to be recovered for individual use.



A comment from WWF-UK Forest & Trade Network

Around the world, we continue to lose natural forest at an alarming rate. WWF campaigns to bring a halt to this destruction and to extend the concept of responsible forest management.

The WWF-UK Forest & Trade Network provides a framework for members to adopt a stepwise, monitored approach to sourcing from credibly certified forests. Tetra Pak has re-committed to this framework and its principles, and made an undertaking to reduce their business impact on forest resources. The challenge in this for Tetra Pak is to track source materials and engage with suppliers to drive credible forest certification and responsible forest management.

With a responsible purchasing policy for timber and paper products, Tetra Pak should be reinforcing the need for environmentally, economically and socially sustainable sources of materials in their business. They can make a considerable onward impact by providing their own customers with sustainable packaging products.

We welcome this demonstration of commitment to environmental responsibility as a business issue, and look forward to working with Tetra Pak to progressively source and supply products which reflect this, helping in the fight to protect our vital natural resources.

Julia Young Manager. *WWF-UK Forest & Trade Network*



We welcome this demonstration
of commitment to environmental
responsibility as a business issue

Our Materials (continued)

Wood-based paperboard gives cartons their structural integrity, while the other components are crucial to the way they protect their contents:

- Polyethylene makes the carton liquid proof.
- Aluminium foil serves as a barrier to light, aromas and oxygen in aseptic (long-life) packs, increasing the shelf-life of the contents to up to a year without the need for preservatives.

Source reduction

The quantities of polyethylene and aluminium have been reduced to a minimum, without compromising product integrity. The aluminium layer is now the thinnest that current technology allows at 6.35 microns – about 30% less than in 1969 – and the wide-scale rollout of Tetra Wide in 2005/06 has reduced the amount of polyethylene in the inner liner of our cartons by up to 30%.

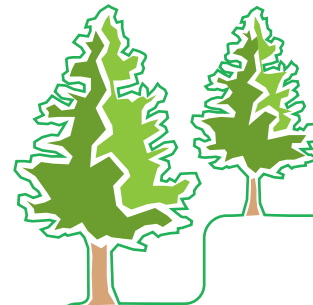
Like most packaging companies Tetra Pak has an ongoing programme reviewing source reduction as we seek to meet the continual demands for cost reduction from our customer base.

With increasing pressures in the UK to meet packaging weight reduction targets, Tetra Pak has the experience to understand that whenever source reduction activities are executed, they must be balanced by the other demands that we place on package performance.

- Robustness in distribution – reduction in material can lead to pack damage that is typically solved by increasing secondary packaging which removes the original logic.
- Consumer performance – reduction in material can lead to flimsier packs that are harder to grip and pour from.
- Product protection – reduction in material can lead to reduction in shelf life.
- Aesthetics – reduction in material can lead to 'bulging' on shelf.

The environmental impact of product wastage can be far greater than that of using packaging. Thus, it is important that Tetra Pak works with other packaging industry sectors to promote the importance of packaging, whilst continuing to drive resource efficiency within its portfolio.

Please see page 10 to read more about the industry partners we work with.



Design for the Environment

Our Design for the Environment (DfE) approach ensures that new products are designed in such a way that their environmental impacts are understood and then minimised as part of the standard design process. We have developed a comprehensive DfE manual to guide development activities. We use DfE as a tool to improve the environmental performance of new and existing packages and machines.

This led to the development of Tetra Wide, a thinner polyethylene carton liner, that saved 50,000 tonnes of plastic. Redesigns of machinery have also seen improvements, with the Tetra Spiraflo® tubular heat exchange reducing its energy consumption by 5-10%.

Our suppliers

The relationship we have with our suppliers is critical not only in ensuring progress towards meeting our environmental objectives, but also in enabling us to continue to produce quality products for our customers.

We have developed the global 'Common Agenda' initiative which operates across the company to encourage dialogue about business issues, including environmental performance, with the suppliers of all our main raw materials – paperboard, polymers, aluminium and ink. A good example of this is how we have worked with our paperboard suppliers (right).

Our suppliers' environmental performance is also an important factor in purchasing negotiations, contributing between 3% and 10% of their overall score. In the UK, we also monitor our suppliers' environmental performance by sending them an environmental questionnaire on an annual basis.

But strong relationships need to work both ways and we therefore aim to pay all invoices according to the payment terms of our suppliers, normally within 30 days. In 2006, 95% of invoices being paid within 30 days.

The paperboard

Our most significant raw material is paperboard, the main component of our cartons. This is made from a combination of softwood, mainly spruce and pine, and hardwood, usually birch.

In the UK market, all our paperboard is supplied entirely by two companies, Korsnas and Stora Enso, who source their wood mainly from forests in Northern Europe, particularly Sweden, but also in Finland, Russia and the Baltic States.

Tetra Pak does not purchase any raw material directly from forests, nor does it own its wood supply. Instead, it purchases finished paperboard from a range of specialised suppliers around the world. Therefore, to achieve our ultimate goal we work with our paperboard suppliers and the WWF-UK Forest & Trade Network focusing on two key aspects:

Traceability

Our suppliers must have reliable systems in place to trace wood fibre back to the forest of origin. All unacceptable sources must be avoided. Ultimately, these systems should be independently certified.

All the European mills from which Tetra Pak's board is sourced have Chain of Custody Certificates in place to ensure traceability, demonstrating that all of our paperboard comes from known, legal sources.

In the UK we also have a Forest Stewardship Council (FSC) Chain of Custody (COC) Certificate in place to verify our paperboard traceability from onsite raw material delivery to customer-site packaging material delivery.

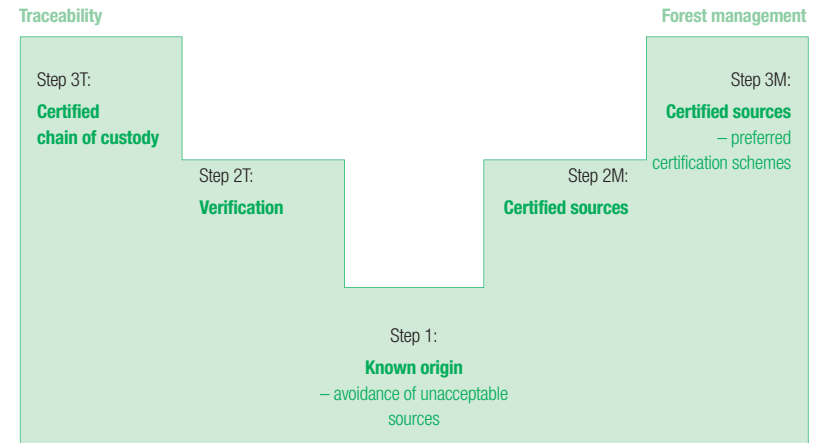
Forest management

Sustainable forest management means meeting environmental, social and economic standards and managing wood as a renewable resource, without depletion of natural reserves.

It is Tetra Pak's ultimate goal that all the wood fibre in our packages will come from forests independently certified as managed in accordance with the principles of sustainable forest management.

To meet this aim, our suppliers need to ensure that they demonstrate an increase in this on an annual basis.

Double staircase model



Step 1: Known origin and avoidance of unacceptable sources

- Establishment of a verifiable system for tracing, monitoring and reporting the origin of all wood fibre.
- Exclusion of illegal or unacceptable sources.

Step 2T: Verification

- Audits carried out by supplier to verify Step 1.
- Involvement of third-party inspectors.

Step 3T: Certified wood fibre tracing system

- Chain of custody certification for all wood fibre sources.

Step 2M: Certified sources

- Certification of fibre against one of the following schemes:
 - FSC (Forest Stewardship Council)
 - PEFC (Program for the Endorsement of Forest Certification Standards)
 - CSA (Canada's National Standard for Sustainable Forest Management).

Step 3M: Certified sources – preferred schemes

- Certification of fibre against a Tetra Pak preferred scheme – currently FSC only.

Tetra Pak is committed to implementing this policy through its own internal stepwise programme. This monitors all suppliers annually, and increasingly rewards them for making progress towards our ultimate goal. Paperboard suppliers are required to complete a Supplier Evaluation Forestry Profile Questionnaire. This is designed to ensure that these suppliers make progress towards increased traceability and certification of wood sources.

Our preferred certification scheme is the FSC. In order to assess our progress against the FSC's benchmarks, Tetra Pak hired a forestry consultancy (ProForest) in 2006 to independently verify the 2005 declarations made by our suppliers, and to assess risks related to the sourcing of wood-based raw materials.

This audit, repeating a process from 2005, showed that 48% of our board already comes from certified sources to step 2M. Of this, 29% of the board comes from FSC certified sources to step 3M, an increase of 7% since 2004.

Over 65% of our board comes from FSC or combined FSC & Programme for the Endorsement of Forest Certification (PEFC) COC certified sources. This is up by almost 30% on 2004 levels. An additional 10.8% comes from PEFC COC sources.

In 2007, we aim to secure sufficient volumes of certified material to conduct a market trial with FSC certified board. This will enable us to use the FSC logo on some of our packs – an important step forward for ourselves, our customers and retailers.

Transport

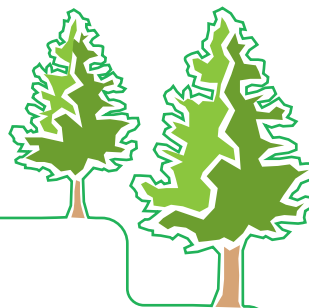
Carton packaging material is delivered in reels to our customers, where it is then formed into cartons and filled. This makes transport very efficient. One lorry transports enough packaging material to make a million one litre cartons, compared to more than 50 lorries required to deliver a million one litre formed plastic or glass bottles.

In addition to this inherent efficiency, we also grade our transport and travel suppliers by their environmental efficiency using a traffic light system based on minimum level of performance against 14 criteria. Tetra Pak currently has three transport suppliers with green ratings and one with an amber rating. The latter must improve its performance. There are currently no red-rated suppliers.

The packaging industry

The environmental impact of all types of packaging – particularly packaging waste – is arguably the biggest issue facing the industry. Tetra Pak is working with a number of industry bodies to help promote a sustainability agenda and encourage greater collaborative effort to help improve recycling rates in the UK. These include:

- *The Industry Council for Packaging and the Environment (INCPEN)*: This is a research organisation whose mission is to explain the role of packaging to society, encourage industry to minimise the environmental impact of packaging and to ensure that policy on packaging makes a positive contribution to the sustainability agenda.
- *The Packaging Federation*: This is the representative body of the UK packaging manufacturing industry. It actively promotes the industry, its economic importance, its products, the benefits of packaging and the industry's approach to sustainability. It also liaises and co-operates with sectoral trade associations and other organisations, to ensure that the packaging industry is fairly and positively represented on pan-industry issues.
- *The Alliance for Beverage Cartons and the Environment UK (ACE UK)*: Previously known as the Liquid Food Carton Manufacturers Association (LFCMA), ACE UK represents the leading beverage carton packaging manufacturers in the UK. ACE UK's mission is to primarily drive post-consumer carton collection across the UK and promote the wider environmental credentials of the carton. It also liaises with a number of stakeholders so that cartons may be fairly represented in UK communications, policy and legislation.



Our Operations

We will never be able to totally eliminate emissions, but since 2003 we have voluntarily offset 100% of our unavoidable emissions, making Tetra Pak UK a carbon neutral company.

Tetra Pak's commitment to constant improvement in the environmental arena extends across all of the business, and manufacturing is no exception. We have been ISO 14001 accredited since 2001 and our focus is now on waste minimisation and energy efficiency.

To help us meet our commitments on waste and energy in 2006, we launched an Environment Pillar as part of our company-wide World Class Manufacturing (WCM) initiative. WCM uses defined methods to reduce losses and maximise efficiencies. The Pillar's activities extend across both the manufacturing and market companies.

World Class Manufacturing

WCM places responsibility within a Pillar, a team of people dedicated to reducing losses. They strive to meet and pass the Key Performance Indicator (KPI) targets of the Company. Each Pillar works closely with others, meeting regularly to share knowledge and best practice.

Carbon Management

We measure our greenhouse gas (GHG) emissions on a monthly basis using the Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute. We measure according to scopes 1, 2 and 3 of the GHG Protocol, this includes emissions arising from a range of activities, from electricity consumption to the delivery of packaging materials to customers.

Through this, we are able to target the areas with the highest climate impact for improvement. This has seen significant results. We cut our emissions from 14,385 tonnes of CO₂e in 2001 to 11,133 tonnes in 2006, representing a 22.7% cut in absolute terms and 25.3% per 1,000 standard packs produced. This meets our target of a 25% reduction per 1,000 standard packs.

However, due to an overall production increase of almost 100 million packs, and an accidental release of refrigerant from our chilled water system, our absolute carbon footprint rose by 419 tonnes this year against 2005. Action has been taken to avoid any further accidental release.

Globally, Tetra Pak has committed to reducing its overall carbon footprint by 10% by 2010 against a baseline year of 2005. Our aim is to align ourselves to this target and do the same in the UK.

Carbon Neutrality

We will never be able to totally eliminate emissions, but since 2003 we have voluntarily offset 100% of our unavoidable emissions, making Tetra Pak UK a carbon neutral company.

In 2005, all of our offsets come from a community-based agro-forestry project in Uganda, which has generated significant social and economic benefits for the community. The scheme has been developed following the Plan Vivo, a model used for generating verifiable emission reductions from sustainable local community projects. The project is managed by BioClimate Research and Development (BR&D), a not-for-profit organisation.

We recognise that debate is continuing around the robustness of offsetting through tree planting and acknowledge that the scheme is not risk free, but we point to the benefits of this activity. The offset project in which we invest offers reduced atmospheric carbon, and offers real environmental and social benefits to local communities participating in the scheme.

The revenue generated through the initial sales of the carbon credits helps meet costs for small-scale forestry activities in Uganda, thus enabling rural communities to invest in sustainable resource management. The project also allows them to gain further access to markets for timber, fuel wood, pole wood, fruit and fodder that might not have previously been as accessible. Additional income support can also be provided through nursery establishment and the production of seedlings. A participating farmer says:

"These trees will help to pay for my children's school fees."
Betsi Nsigyerewo

Although we believe in the strength of our forestry offsets and the Plan Vivo model, we keep our offset programme under continuous review.

To offset our 2006 emissions, we have contracted to purchase around 60% of our offsets from a Gold Standard wind energy project in India and the remaining percentage from the Plan Vivo project. The Gold Standard is a quality standard for carbon offsets, initiated by WWF and endorsed by 38 non-governmental organisations around the world. Tetra Pak's offsets will come from the wind energy project in India.

Wind energy project in India

Dhule District is a remote area of Maharashtra, western India, made up of a central valley surrounded by the Sahyadra and Satpuda ranges of hills. Largely agricultural, key industries in Dhule include forestry, bamboo, flowers and fruit. Tetra Pak has contracted to purchase offsets from two small-scale wind energy projects in the district, eight turbines in total capable of generation 10MW of electricity. The projects will feed into the Western Region Grid of India, providing clean energy to a growing energy hungry region which includes Mumbai and Goa. Wind energy generation is still relatively new in India and faces financial and risk barriers. Our investment helps makes these projects viable.

Energy (electricity, gas and LPG)

	KwH used	KwH used per 1,000 standard packs
2000	30,185,270	13.515
2001	32,063,736	14.876
2002	31,291,339	15.244
2003	28,876,451	13.331
2004	24,074,826	11.847
2005	23,230,305	10.950
2006	24,023,987	10.780

Material usage and waste minimisation

Different pack formats and sizes can have an impact on the volume and proportion of materials used per standard pack area. Larger pack sizes tend to require slightly thicker layers of material to maintain pack integrity, yet give the benefit of a decreased proportion of packaging material to contents than smaller pack formats.

Thus, increased production of larger pack formats can increase overall raw material usage for a site, despite material efficiency gains across the portfolio.

This has been the case for Wrexham in 2005 and 2006 in its increased production of 2 litre aseptic package formats, for ambient distribution.

Paperboard

In 2006 85% of our solid process waste was recycled, an increase of almost 50% since 2001. The high wet-strength paper used to wrap the rolls of paperboard during transportation to Wrexham cannot be repulped. This continues to be used as fuel for energy recovery, giving Tetra Pak a total recovery rate of 95%.

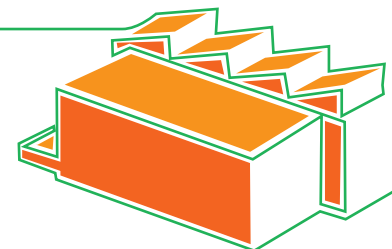
Paperboard consumption increased by 7.3% per 1,000 standard packs produced against 2004 levels. This was due to the increased production of our 2 litre ambient pack formats.

	Tonnes used	Kg used per 1,000 standard packs
2000	48,220	21.6
2001	47,993	22.3
2002	44,990	21.9
2003	40,945	18.9
2004	41,474	20.4
2005	44,367	20.9
2006	50,086	22.4

Polyethylene

Increases in laminator efficiencies have meant an overall reduction of 23.4% polyethylene consumption against 2001 levels. As fewer extruders are used in the production of the increasingly popular 2 litre aseptic pack format, and through material efficiency gains that have been achieved via WCM, polyethylene waste has been reduced by over 71.5% per 1,000 standard packs produced against 2001 levels.

	Tonnes used	Kg used per 1,000 standard packs	Tonnes of waste polyethylene	Kg waste polyethylene per 1,000 standard packs
2000	12,929	5.8	872	0.39
2001	12,350	5.7	881	0.41
2002	11,904	5.8	901	0.44
2003	12,112	5.6	823	0.38
2004	11,086	5.5	576	0.28
2005	12,341	5.8	459	0.22
2006	9,751	4.4	261	0.12



Aluminium

As with paperboard, increased production of 2 litre aseptic packages has resulted in an overall 18.5% increase in aluminium use per 1,000 standard packs produced against 2001 levels. All waste aluminium continues to be recycled.

	Tonnes used	Kg used per 1,000 standard packs
2000	2,596	1.16
2001	2,337	1.08
2002	2,309	1.12
2003	2,397	1.11
2004	2,274	1.12
2005	2,437	1.15
2006	2,869	1.28

Pallets

Since 2003, all our pallets have been made of wood from FSC certified forests. Although our pallets are mostly one-way, 19.7% were refurbished and re-used by Tetra Pak in 2006, compared to 15.0% in 2005. This was achieved through promoting the free collection service provided by our pallet supplier.

	Total units	Units per 1,000 standard packs
2000	68,808	0.031
2001	66,764	0.031
2002	66,051	0.032
2003	64,578	0.0298
2004	56,352	0.0277
2005	65,438	0.0308
2006	72,481	0.0324

Inks and solvents

Combined ink usage has been decreased by 26.4% per 1,000 standard packs produced since 2001. Overall ink usage between 2005 and 2006 did however increase by 6.7% due to the larger surface area for printing offered by the increased pack production of 2 litre aseptic formats.

Combined inks used – solvent and waterbased

	Kg	Kg used per 1,000 standard packs
2000	522,211	0.23
2001	536,330	0.25
2002	468,111	0.23
2003	403,360	0.19
2004	379,867	0.19
2005	384,442	0.18
2006	410,011	0.18

Significant savings of 37.5% in combined inks wastage are attributable to WCM driving machine and print-order efficiency, thus reducing the need for machine wash-downs.

Combined ink waste – solvent and waterbased

	Kg	Kg used per 1,000 standard packs
2000	484,820	0.22
2001	511,980	0.24
2002	333,580	0.16
2003	342,280	0.16
2004	400,510	0.20
2005	323,520	0.15
2006	367,740	0.17

The introduction of ink bucket liners has reduced ink bucket waste by an impressive 58.3% between 2001 and 2005. The ink bucket liners did however make the factory floor look less tidy, resulting in the re-introduction of the standard plastic buckets used previously, causing an absolute 29.6% increase in 2006 against 2005 levels.

Used ink bucket waste

	Total kg	Kg used per 1,000 standard packs
2000	29,040	0.013
2001	26,020	0.012
2002	25,740	0.013
2003	24,320	0.011
2004	18,160	0.009
2005	10,800	0.005
2006	14,000	0.006

We are now investigating the use of steel buckets. These will increase the quantity of waste but will be recyclable. The plastic alternative proved to be difficult to recycle.

Water

In 2006 water consumption was reduced by 13.3% per 1,000 standard packs produced against 2001 levels. There were no significant spills from our site and no improvement notices were served.

There was one minor ink spill. The cause of this was identified by the WCM Environment Pillar and action has been taken to ensure that this does not happen again.

	m ³ used	m ³ used per 1,000 standard packs
2000	15,863	0.007
2001	19,311	0.009
2002	19,800	0.010
2003	23,484	0.011
2004	16,783	0.008
2005	17,063	0.008
2006	17,522	0.008

Our People

92% of our employees feel that their work contributes to the success of the company and 84% feel proud of the work they do.

We are committed to being a good employer and aim to manage our relationships based upon mutual trust and confidence. In particular we are committed to engaging and empowering our people so that they may achieve their full potential. We feel that listening to and acting on their feedback is essential for this.

Employee engagement

In 2005 our annual employee satisfaction survey raised concerns over career advancement and performance management. We have made efforts to address these through:

- Improving communications on career opportunities within the organisation.
- Increasing our training budget and starting a company-wide roll-out of Leadership, Excellence and Performance (LEAP) Training.
- Offering training to all employees on the objectives-setting process and associated tools.

People have reacted positively, with survey response rates increasing from 71% to 86% between 2004 and 2006.

2006 Employee Satisfaction Survey highlights include:

- 90% of our employees agreed that they know how their work affects the customer.
- 92% felt that their work contributes to the success of the company.
- 84% of our employees felt proud of the work they do.

Our staff turnover rate decreased again in 2006 to 7% against 11% the year before.

We historically consulted employees through the Joint Consultative Committee (JCC). It was felt that this format could be improved, to encourage more open communication. As a result, in 2006, a group of employees and managers experienced a new format, entitled the 'World Café'.

World Café is designed to enable a range of individuals from across the company to contribute their opinions on a range of matters by encouraging open, honest and topical discussions in small groups.

The pilot 'World Café' was so successful we plan to continue to roll this out across the company in 2007 and with its own unique identity as 'Table Talk'.

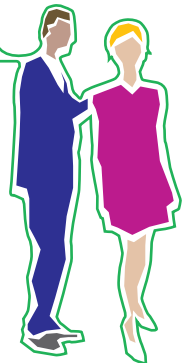
Training and development

We operate a WCM Education and Training Pillar which aims to create a Learning Organisation.

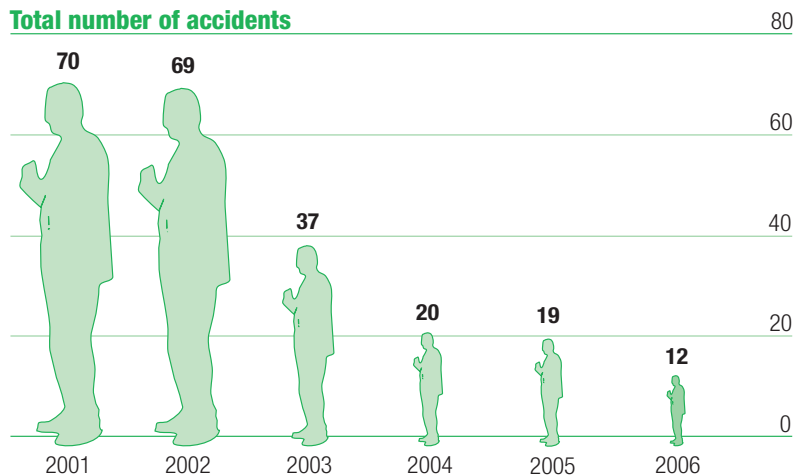
As a result of training gaps identified by the Pillar and concerns highlighted by our employees, 2006 saw the wide-scale roll-out of the Leadership Excellence and Performance (LEAP) across the entire company. This programme focuses on the development of communication and team facilitation skills. LEAP provides a stimulating and challenging environment that will encourage participants to act differently and approach challenges with a fresh and creative manner.

Tetra Pak is committed to involving as many people as possible, and from 2007 LEAP courses will include employees from across the UK and Ireland.

"It's been great fun. We are getting a lot out of being together and trying out new ideas in a safe environment." Alec Glennie, Printing Process Kaizen Engineer.



Total number of accidents



Health and safety

The health and safety of our employees is a top priority and we have a dedicated WCM Safety Pillar within our production factory. It is supported by a computer-based system to help us identify reasons and possible solutions for any accidents that occur within the factory.

As a result, significant progress has been made in 2006, with an 11% reduction in the near misses against 2005 and a 16% reduction in the total number of accidents. The number of serious accidents resulting in days lost remained stable at four. We have identified the reasons for these injuries and have implemented improved operational procedures and training to minimise the risk of further accidents. Our target is to reach zero accidents in Wrexham and, through our WCM Safety Pillar, we will continue to drive towards this.

After carrying out a gap analysis within our Technical Division all managers and field service engineers have undertaken either an IOSH (Institute of Occupational Safety and Health) Managing Safety, or Contractor Safety passport course respectively.

Wellbeing

At Tetra Pak, we recognise the importance of our employees' wellbeing. Not only do we strive to promote wellbeing at work, but we support employees towards their own health goals. Employees who are exposed to hazardous substances receive annual health screenings, the results of which are confidential. Our Occupational Health service continues to provide detailed information on a number of health issues, monthly meetings to identify absence trends and a dedicated information portal on our intranet site to provide factsheets, newsletters, healthy eating advice and details of lunchtime walking routes.

To further support these activities, a complete refurbishment of our on-site gym facilities was commissioned at the end of 2006.

Diversity

We recognise the importance of organisational diversity. Not only does this provide a wider spectrum of skills and knowledge available, but it enables our employees to operate successfully within a global company containing a wide range of nationalities and ethnic backgrounds.

Out of a total 273 employees in Tetra Pak UK in 2006, 16% were women, up from 14% in 2005. The number of female managers with direct reports has increased by one since 2005, giving a total of seven out of 40.

Our recruitment policy requires that all staff be afforded equal opportunities of employment and promotion, which is determined only by personal merit. Selection is based solely on matching of individual competences and experience against criteria related to the duties of each particular position. No applicant or member of staff is treated less favourably than another because of his or her gender, marital status, sexual orientation, religion, nationality, ethnic group or disability.

2006 marked the launch of our UK Diversity Network. The Network aims to maximise the talents of people from different backgrounds, experiences and perspectives as a means of improving the workplace environment and productivity. Diversity within Tetra Pak can be one of its greatest assets. It drives innovative thought and business process. It also gives an opportunity to contribute to the local community, while building bridges between different areas of the business, through volunteering opportunities for staff.

Action days are planned to take place in 2007, with groups of ten or more staff working a full day on a gardening or refurbishment project for a local charity, school or hospital, making the most of people's experiences and skills.

Diversity update

Nationality

Total staff	UK	Other European	Other
273	259	12	2
	95%	4%	2%

Gender

	Total Staff	Male	Female
2005	273	234 (86%)	39 (14%)
2006	273	230 (84%)	43 (16%)

Managers with direct reports

	Total	Male	Female
2005	38	32 (84%)	6 (16%)
2006	40	33 (83%)	7 (17%)

Charity and community

We are committed to supporting employees' involvement in charitable fundraising and matching the amount raised by employees for their chosen charities. Here are some of our employees' initiatives from 2006:

During the summer, a number of employees participated in the Great Manchester Run for MS Society, the Llangollen Jubilee Walk for local Nightingale House Hospice, and Race 4 Life for Cancer Research UK. One of our employees completed a bike trip from Wrexham to Madrid and back in aid of Wales Air Ambulance. A group of Tetra Pak employees won the Charity Penalty Shootout Tournament arranged by the Wrexham AFC Supporters Association held in aid of the local Nightingale House Hospice. October 2006 marked a very successful Breast Cancer Awareness campaign in the Tetra Pak offices.

As well as handing out Pink Ribbons and a breast cancer fact sheet, the company hosted a Wear it Pink Fundraising Day in aid of Breast Cancer Research.

Sharing our knowledge

To help students gain practical experience, Tetra Pak accepts a number of Year 10 students every year to work on a placement basis within the company. To help structure their learning, all students are expected to prepare a project on one of the below subjects: The environmental benefits of cartons. The benefits of aseptic packaging. The link between products packed in Tetra Pak cartons and nutritional content.

Students are encouraged to keep a work placement diary and take their experience of working in Tetra Pak back to the classroom.

Building on common interest from students into website management, in 2006 we created a specific Work Experience page on our intranet site and each student published their research on our company and its products as well as extracts from their diaries for staff and other students to read.



A comment from Business in the Community

Tetra Pak has been working with Business in the Community (BITC) for the last two years.

Having become a member of BITC's Cares programme – the main business-led volunteering programme in the UK. Tetra Pak actively supports the Easter Egg and Pocketful of Presents campaigns – where employees buy Easter Eggs and Christmas presents for ill and disadvantaged local children.

Tetra Pak has also signed up to undertake a team challenge at Wrexham Child Health Centre to create two enclosed play areas incorporating pathways, a sensory garden and seating area. In preparation for the task, the 70 employees from all departments of the company will use their time management, budgetary constraint and team working skills to complete the challenge in just one day.

Looking to the future, Tetra Pak could look to increase its engagement with the local community, for instance through BITC's programme on education which involves linking employees to schools to help children with their literacy and numeracy skills.

Peter Williams Director, Wales. *Business in the Community*





Looking to the future, Tetra Pak
could increase its engagement with
the local community further

Our Customers

Our customers have consistently rated Tetra Pak above its competitors in their top of mind environmental score.

At Tetra Pak we don't just supply our customers with packaging material to make cartons, we provide integrated services to help them deliver their products to market on time and in perfect condition. In addition to supplying packaging material, we offer a range of services and products to our customers, including:

- Packaging design
- Processing, filling and distribution equipment
- Project management and installation services
- Technical service, spare parts and technical support
- Logistics technology and distribution expertise
- Product and market intelligence
- Business development
- Marketing support

Customer satisfaction

Feedback on our products and services, performance, as well as the partnership we offer our customers is critical to us.

To do this, we run an annual survey of a selection of our customers, which helps us to understand and meet their needs in the following areas:

- Customer service
- Marketing support activities
- Pre-order to billing activities
- Lead time
- Operational efficiency
- Technical support
- Innovation
- System-wide value for money
- Environment
- Strategic alignment

Through this, we have seen environmental issues rise increasingly to the forefront of our customers' minds.

Our focus on the environment has meant that for the past three years, our environment score has remained the highest of all areas measured. In fact, it has also shown that our customers have consistently rated Tetra Pak above its competitors in their top of mind environmental score.

The 2005 survey highlighted the need to improve post-consumer carton collection and recycling in the UK and improve our environmental communications to customers. The case study to the right explains how we have engaged our customers. To find out how we have

addressed the availability of post consumer carton recycling, see page 19.

On a strategic level, we will continue to survey customers each year, and work on improving the areas they highlight as important. We will continue to do this by meeting with the customers that were surveyed, working through the feedback given on each area, and agreeing action plans together. These plans will be followed up regularly by the teams serving each customer, with the overall aim of continuously improving our service and performance as a supplier. In 2006 our customer ratings increased in most areas; the most important areas for further improvement were Innovation and System Performance, that is the reliability and cost efficiency of equipment and materials supplied.



Engaging our partners

Our customers are increasingly interested in what we are doing to help make Tetra Pak more environmentally sustainable. To address this, we have introduced a communication programme on the environment.

The programme consists of regular customer presentations, email updates and a feature looking at our environmental activities in every edition of our newsletter, Tetra Pak News. As well as dedicated environmental communications, we ensure that day to day customer contact, for instance through account managers, is used to pass on the latest environmental information.

These steps have helped us improve our overall environment score to 3.7 out of 5. This is an increase of 11.5% against 2005 and is 75% higher than the score of 2.1 given by our customers to our competitors.

Recycling and environmental communications continue to be our priority in 2007.

Meeting the need for flexibility, speed and innovation

Having enjoyed success among health-conscious UK consumers with their World Fruits and Blends premium juices, Del Monte turned to Tetra Pak's A3/Flex machine when it needed to take production to the next level.

Capable of producing 7,000 Tetra Prisma Aseptic 1000ml cartons an hour, the A3/Flex will enable Del Monte to keep up with growing market demand. At the same time, the ability of the machine to produce 22 different kinds of pack, and counting, means that Del Monte can react to market changes and new technology quickly and cost-effectively in the future.

Installation of the machine was completed in just two weeks. Factory manager Kevin Thompson commented that "In 25 years, I have never seen a machine installation go so smoothly and conducted so professionally."

Working with Recresco

In November 2006, Tetra Pak's work to promote carton recycling in the UK led to the launch of a new carton collection and recycling service, in partnership with materials recycling experts Recresco.

The new service gives local authorities across the UK the ability to link up with Recresco to collect paper-based milk, juice and liquid food cartons for recycling. Recresco simply picks up cartons as part of their existing plastic bottle collection service, whether based at Household Waste Recycling Centres, storage bays, RoRo containers or recycling banks.

This has been made possible because Tetra Pak was able to work with Recresco to install a new automatic sorting system, which separates bottles from cartons. Once this is done, Tetra Pak then ensures that all cartons are recycled.

This is an ongoing roll out into 2007. You can find details and updates on our website at www.tetrapakrecycling.co.uk

Event driven customer satisfaction survey

Our annual customer satisfaction survey helps us to assess our overall performance. However, it is also important to get a deeper insight into our performance on specific activities or projects. One example is the installation of machines on customer sites through Order Fulfilment Capital Equipment (OFCE) operations.

To do this Event Drive Customer Satisfaction surveys are conducted upon completion of all new equipment installations to assess the 'overall customer installation experience'.

In 2006, our target was to achieve at least 50% of responses rating us as 'excellent' or 'very good'. We are proud to have reached this target, but recognise the scope for improvement.

In 2007 system performance will be our main key improvement area.

Performance validation

The performance validation phase of any new installation is a nervous, but exciting, time for everyone involved in the project. This is when we demonstrate to the customer that the line will perform to the targets specified in the Sales Contract. The Performance Targets are issued by our global experts in Tetra Pak and are based on the type of equipment and specific line design.

The process for reaching performance validation is complex. In simple terms, the line is tested for 40 hours, split into production runs of eight hours or more at a time. The average performance of the equipment during this time is then used for validation purposes.

In 2006 all new equipment installed reached performance validation within eight weeks. This is a 100% result, and something we are proud of.

In 2007 we are striving to reduce the average time to achieve performance validation.

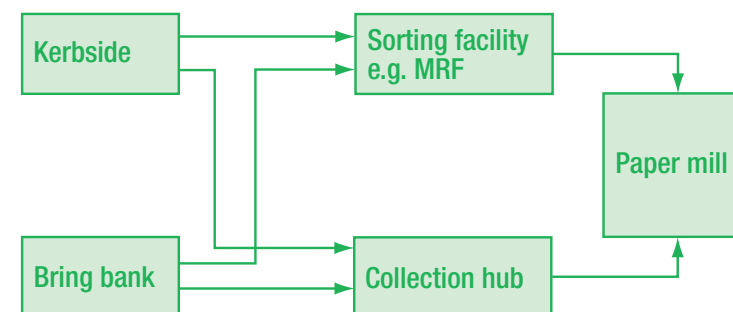
Post consumer recycling

Tetra Pak is dedicated to increasing levels of carton recycling in the UK, whilst promoting an understanding of the environmental merits of our cartons. Rising demand from our customers, as well as retailers, consumers and local authorities, saw the company invest significant new resources in our post-consumer recycling 2006.

In March 2006 we appointed a National Recycling Officer, with a brief to help local authorities develop the knowledge they needed to establish new carton recycling programmes across the UK. She was provided with an initial £300,000 National Recycling Fund, to assist in the seeding of new projects where financial assistance proved key.

This fund proved successful and a further £1.2 million was made available in the latter half of the year through our trade body ACE UK (Alliance for Beverage Cartons and the Environment).

We also have a number of additional facilities to drive carton recycling in the UK. These include the following and are outlined on our carton recycling route map for the UK (below):



Collection and sorting

Many local authorities use the same collection companies or feed into the same waste sorting facilities. By partnering with these third parties, Tetra Pak is aiming to make carton recycling available to many local authorities indirectly.

Already, Tetra Pak and ACE UK have partnered with Recresco, a well-known glass and plastic collector and Grosvenor, who operate one of the UK's largest sorting facilities, so that they can offer carton collection services to their local authority customers.

Collection hubs

We have established a comprehensive network of collection centres at which material can be stored and/or baled prior to being transported for recycling. These are not open for public use, but can be used by local authorities, community recycling networks, sorting facilities, retailers and our customers.

Recycling the cartons

We guarantee that all post consumer carton material collected will be recycled as long as it meets our mill specifications.

Paper mills, which perform the actual recycling of cartons, are integral to the process. The Smith Anderson mill in Fife used to be able to recycle all cartons collected in the UK, but it was forced to close in 2006 when energy prices made its main paper recycling business uneconomic. This is sadly not uncommon in the paper industry,

particularly as recycling increasingly operates in a global market. Many materials collected in the UK market are exported for re-processing.

As a result we are conducting trials with a number of UK mills and have an agreement in place with the Örebro Mill in Sweden. This mill produces plaster board liner and uses the plastic and aluminium for energy recovery. This Sustainability Report is printed on paper made with recycled beverage cartons made at the Hurum Mill in Norway.

Until we are able to secure dedicated UK carton reprocessing facilities, we will continue to recycle collected material via our European partners, meaning we will:

- Be able to ensure that the cartons are recycled.
- Minimise the distance that the material travels.
- Expand carton collection across the UK, making UK reprocessing more viable in the future.

Website

Many people contact us to ask whether cartons can be recycled in their local area. A new website, www.tetrapakrecycling.co.uk was set up to communicate our progress. The website has proven to be a valuable resource for members of the public and local authorities alike, for information about where to recycle cartons, or as a first step towards establishing new schemes to collect cartons for recycling.

Since the beginning of the year tetrapakrecycling.co.uk has had 38,981 hits.

Within the past year, we have seen the volume of people visiting our site increasing significantly. In 2007, we aim to develop this information portal further to include more detail on carton recycling, the agendas surrounding it and the environmental credentials of cartons.

Real progress

Our investment has brought rapid progress in delivery of new facilities, and the enthusiasm from local authorities has been very encouraging.

Throughout 2006, we saw the number of local authorities where cartons are collected for recycling rise from around 30 to 82 in December 2006. This is projected to rise further to cover 70% of all local authorities in the UK by the end of 2007, with our ultimate goal of national coverage being reached by the end of 2008.

A comment from Tesco

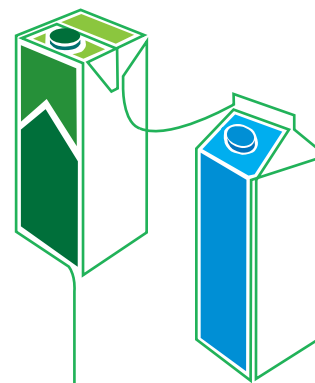
Tesco and Tetra Pak are working together to increase the recycling rates for cartons in the UK.

Our customers are becoming increasingly conscious of environmental issues. They have made it clear that they want to recycle more materials than they currently can using their local authority collection service.

The partnership with Tetra Pak means we can now offer this service at our new state of the art Tesco recycling units. The new recycling units are being introduced to Tesco stores across the UK, and should reach over 100 by the end of 2007. This new machine is capable of both sorting and crushing various materials on site.

As a next step, Tetra Pak and Tesco need to continue to work together to utilise the communication provided on the machines and also work with local authorities to increase awareness of the service provided to customers and show real leadership in encouraging the recycling of cartons.

Sion Stanfield Senior Buying Manager. *Tesco*





Our customers are becoming increasingly conscious of environmental issues

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**Sustainability continues to be a single thread
that runs throughout our business.**

**This report is printed on Norgraph Recycled
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beverage cartons.**

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