



Providing equal opportunities to develop and succeed in management



Enabling our customers to develop new products and build new markets



Improving the quality of life through Food for Development



Making a commitment to sustainable forestry

A LONG-TERM PERSPECTIVE

Please note that due to formatting differences between the printed copy (with flaps) and the pdf version (without), some pages are unnumbered.

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Aim:
to communicate our performance, challenges and progress, in order to foster dialogue with our stakeholders.

Scope:
Tetra Pak – its manufacturing plants, offices, supply and distribution chains, and interaction with its communities and the environment in 2004.

Target audiences:

- Customers
- Employees
- Local, national and international authorities
- Non-governmental organisations
- Suppliers

The report uses 2004 data.

In 2004, Tetra Pak became a participating company in the United Nations Global Compact. Initiated by UN Secretary General Kofi Annan in 1999, the UN Global Compact brings together companies, UN agencies, labour and civil society to support ten principles in the areas of human rights, labour, the environment and anti-corruption. (www.unglobalcompact.org)

We are committed to supporting and promoting the Compact's principles in our everyday business. This is already in line with our way of working, and follows Tetra Pak's vision, Code of Business Conduct and mission statement, which refers to our belief in "responsible industry leadership, creating profitable growth in harmony with environmental sustainability and good corporate citizenship."

We are implementing the Compact's principles through the actions set out in this report, which also serves as our Communication on Progress for Global Compact.

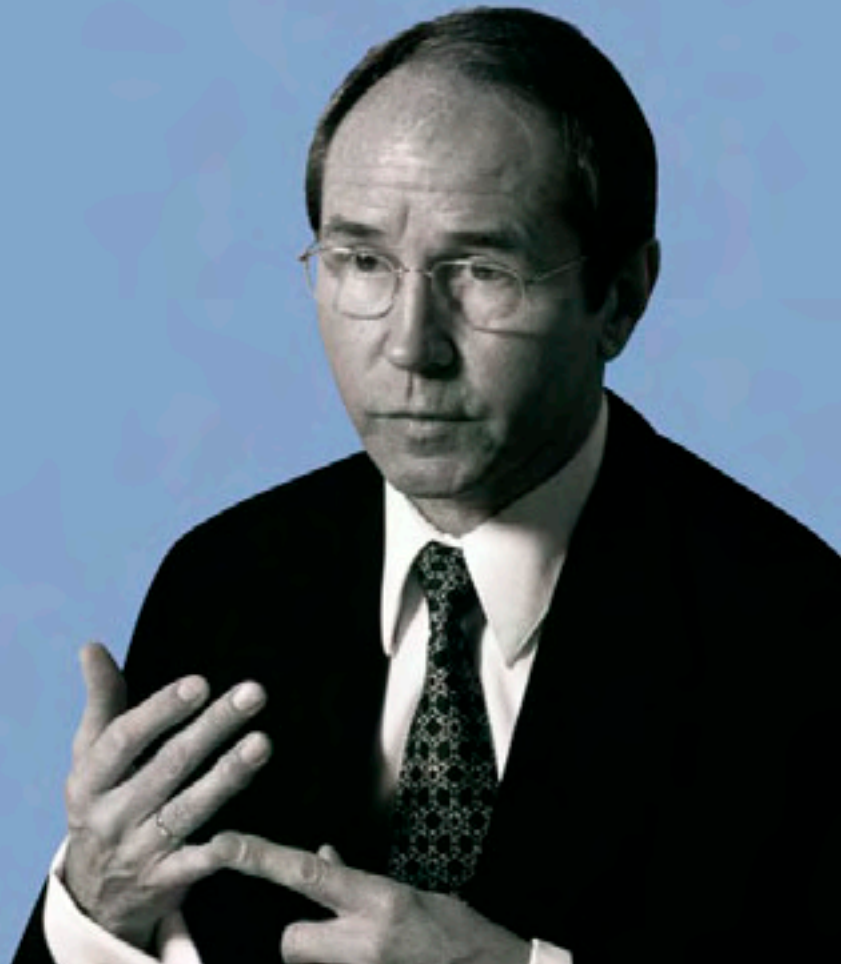
We published our first corporate environmental report in 2000, covering 1999 performance. This is the first time that social aspects have been included.

The most up to date information will always be available on www.tetrapak.com.

A LONG-TERM PERSPECTIVE:

The corporate responsibility agenda has forced many businesses to take short-term actions to protect their reputation. At Tetra Pak, we take a longer view – indeed we have done so for 50 years. This can be tough, but it is the principle at the heart of our business and drives all our thinking.

Nick Shreiber
President and Chief Executive



Tetra Pak was built upon the sustainable concept that a package should save more than it costs. Our founder, Dr. Ruben Rausing, also had a vision of helping to feed the world, now translated into our own vision statement: “We commit to making food safe and available, everywhere”. Sustainability for Tetra Pak means using natural resources without using them up – so that future generations can use them too: we emphasise the use of renewable and renewed resources; we facilitate partnerships to develop the infrastructure from cow to consumer; and we work closely with customers, suppliers and stakeholders to ensure we are aligned in our quest for sustainability. During 2004 Tetra Pak became a signatory to the Global Compact, and this report serves as our Communication on Progress towards promoting its ten principles. We will continue to support the Global Compact. Challenges lie ahead, but we relish the opportunity to reach the targets we have set ourselves, because a sustainable world is the world we all want to live in. Naturally.

2004 HIGHLIGHTS

In 2004 we implemented new initiatives on governance and employee diversity, and continued to make good progress with feeding programmes, post-consumer recycling, sourcing of raw materials and energy consumption.

A YEAR IN

Further strengthening our customer focus

In order to bring decision making closer to the market, we placed authority to the greatest extent in eleven market company clusters. The clusters report into a single global organisation called Tetra Pak Market Operations (TPMO).

We have also enhanced our customer satisfaction programme, with a view to increasing our focus on our customers' key concerns, and consequently our strategic alignment. We are pleased that our customer satisfaction score was 4 out of 5.

Embedding our commitments and values

While we have long had high ethical expectations of our employees, in 2004 we drove that more vigorously into the organisation through presentations and a requirement for senior managers to sign a pledge committing to honour and abide by the Tetra Pak Code of Business Conduct. As there were no cases of bribery, corruption or industrial espionage brought against Tetra Pak and no outstanding or unresolved cases, this was driven by our own desire to ensure that good business practices were uniformly understood and followed throughout the Tetra Pak world.

We also strengthened our commitment to equal opportunity globally through the creation of a Diversity Board and ambition levels for gender balance and diversity.

27

We began implementation of 27 new feeding programmes and agriculture and dairy development programmes.

€12m

We contributed over 12 million Euros to community projects worldwide through our local market companies.

Promoting sustainable economic development

We continued to contribute to socially and economically sustainable development, by helping to improve access to healthy and safely-packaged foods. We focussed particularly on school children in developing countries and countries in transition, reaching 15 million through facilitating private-public partnerships. Overall, schoolchildren in 45 countries received milk or other liquid food in our packages as part of feeding programmes.

We reviewed and began implementation of 27 new feeding programmes and agriculture and dairy development programmes in developing countries

and countries in transition. We further continued our high levels of investment in developing countries and countries in transition.

Investing in communities

We contributed over 12 million Euros to community projects worldwide through our local market companies. Projects ranged from education and health programmes, to environment and sustainability programmes.

SUMMARY

-28%

Emissions of volatile organic compounds (VOCs) were reduced by 28%.

2bn

We increased beverage carton recycling by 2 billion packages to a total of 18 billion.

Working towards environmental sustainability

To secure our focus on the environment, we developed, updated and rolled out our environmental policy. The new policy reflects our commitments along the value chain from suppliers to customers, retailers and ultimately consumers and society.

Our engagement in recycling bore fruit as we increased beverage carton recycling by 2 billion packages to a total of 18 billion. We also undertook development, with industry partners, of a recycling technology that enables each part of the carton to be recycled economically. This technology will be commissioned in 2005.

To support our commitment to using renewable materials, we developed a Statement on Forest Management expressing our commitment to sustainably managed forest sources, and an attendant supplier programme to ensure our suppliers are aligned with this in the materials they provide us.

For the first time we were able to decouple growth from energy use: we achieved a net reduction in total converting factory energy use while increasing production volumes. Total greenhouse gas emissions slightly increased, largely due to a higher proportion of electricity in Tetra Pak's energy mix. Emissions of volatile organic compounds (VOCs) were reduced by 28%.

We introduced Tetra Wide, a new packaging liner, which enabled us to reduce the amount of material in the inner lining by 35%, while improving the package performance and consequently the protection of the product.

Detailed environmental data can be found on www.tetrapak.com/environmentalperformance

PRIORITIES AND ACTIONS FOR 2005

Our priorities are environmental sustainability (forestry, energy use and recycling) and social and economic sustainability (employees, customers, Food for Development, communities and corporate governance). However, we track and manage elements beyond those listed below, and further information can be found on our website www.tetrapak.com

PRIORITY

ENVIRONMENTAL SUSTAINABILITY

Sustainable forestry

Environmental sustainability is dependent upon choosing renewable (and renewed) resources, enabling biodiversity, and using finite resources efficiently. As our packaging material is largely made from paper, and hence from wood, sustainable forest management is one of our main priorities. In sustainably-managed forests trees are renewed, yield of timber is maintained, and biodiversity, pristine forests, and customary rights are protected.

Action:

- Ensure our suppliers continue to avoid sourcing wood fibre from unacceptable sources, and have reliable systems in place to trace wood fibre to the forest of origin.
- Increase external verification of our board suppliers' traceability systems, and develop a plan with suppliers to increase the percentage of certified fibre in our paper.

Energy use

Environmental sustainability is also dependent upon limiting emissions of greenhouse gases to the atmosphere. To this end we are continuing to improve our energy efficiency.

Action:

- Intensify efforts to increase energy efficiency with the aim of meeting our goal of a 15% improvement by 2005 (over 2002 levels).

Recycling of post-consumer cartons

We believe in making the most of the resources that our planet provides. To support that way of thinking, we participate actively in recycling and recovery of beverage cartons for recycling into new materials or energy.

Action:

- Increase the network of recyclers and promote post-consumer carton recycling in countries where it does not yet exist.
- Support the implementation of plasma technology on two sites for the recovery of polyethylene and aluminium.

SOCIAL AND ECONOMIC SUSTAINABILITY

Employees

Our People Strategy focuses on three main areas: a right to a safe and healthy workplace, respect for gender and nationality diversity and leadership. However, the health and wellbeing of our employees comes first and foremost. Our motto, "Protects What's Good," applies to our employees too. We also believe that an engaged workforce is the key to the company's success. Benchmarked against other companies, Tetra Pak consistently achieves high scores for employee engagement.

Action:

- Drive a comprehensive action programme to continuously improve leadership. Leadership is evaluated through our Employee Satisfaction Survey.
- Increase employee commitment and engagement, as measured through the Employee Satisfaction Survey.

- Continue to invest in Competence Development. We have an ambitious Competence Development process in place, in which individuals' competence gaps are defined and actions put in place.

Customers

Our goal is to continuously improve our daily interaction with our customers, thereby increasing our strategic alignment.

Action:

- Improve customer satisfaction levels through strategic alignment, system-wide value for money and technical support.
- Introduce event-based customer satisfaction surveys to gain feedback from events such as machine installations and product launches.

+ ACTION

Promoting sustainable economic development

We will continue to build partnerships and initiate integrated value chain projects ("Cow to Consumer") to develop local infrastructure and build local capacity, bringing social and economic benefits to markets and communities.

Action:

- Create platforms for Food for Development activities in market companies, focusing on developing countries and countries in transition.

Benefiting local communities

We want to make a positive contribution to the communities in which we operate, not just as a good employer, but also as a good corporate citizen.

Action:

- Track our commitments and spending on local communities.

Business ethics

We cannot be an effective business partner for our customers and community if we do not have high standards of business ethics. To that end, we have established and implemented a corporate governance framework, and insisted our employees pledge to abide by it.

Action:

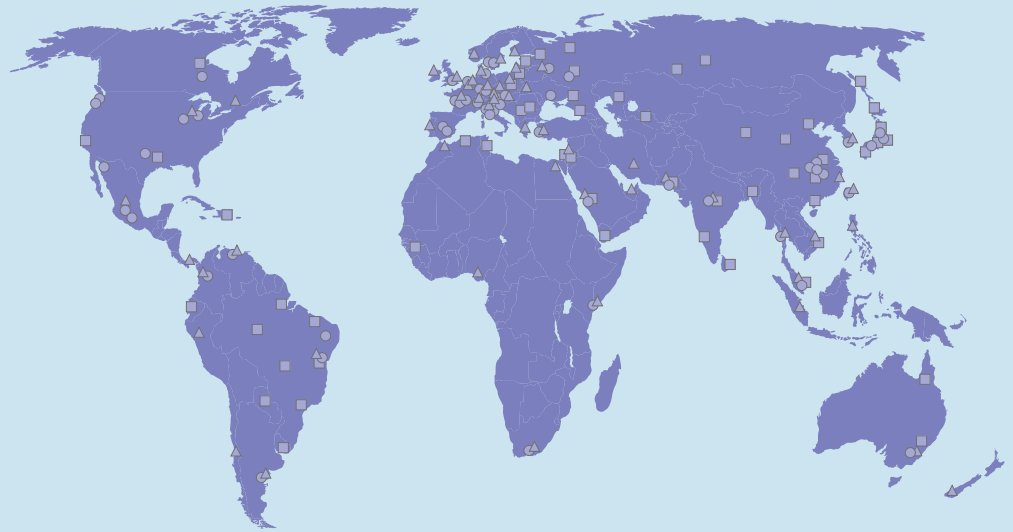
- Monitor activity through Control Self-Assessment in each market and company.
- Review the framework with a view to closing any remaining gaps.

TETRA PAK'S OPERATIONS SPAN THE GLOBE

Through our manufacturing and market operations, we are present in 165 countries.

- ▲ Market companies
- Sales offices
- Factories for packaging materials

(as of January 2005)



THIS IS

TETRA

For many people, Tetra Pak is synonymous with beverage cartons. We are, however, more than a carton manufacturer. We are committed to making food safe and available, everywhere. To that end, our business activities encompass the processing and packaging of liquid food, and bringing partners together to develop the infrastructure needed for widespread access to safe liquid food.

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 basic principle was that 'a package should save more than it costs', a powerful concept with both economic and environmental dimensions. This continues to inform our business today.

Tetra Pak is part of the Tetra Laval Group, which today comprises three autonomous industry groups – Tetra Pak, DeLaval and Sidel. More information is available on www.tetrapak.com, www.delaval.com and www.sidel.com

Tetra Pak is structured in three business areas: Carton Ambient, Carton Chilled and Processing Systems, as well as a global marketing organisation, TPMO.

For more information on our operations, please go to: www.tetrapak.com

We also continue to make significant investments in developing countries and countries in transition. This represents a long-term commitment to creating production facilities and jobs, modernizing the food industry and improving the quality of food products.

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.

PAK

2004 KEY DATA

No 1

market for carton packages is China

58

sales companies

€7.525bn

Euros in sales

9,104

packaging machines in operation

19

research and development centres

110.817bn

carton packages delivered, containing over 60 billion litres of product

No 1

product delivered in Tetra Pak packages is milk

20,905

employees

53

production plants

22,546

processing units in operation

59

service centres

16

packages consumed per person per year

OVERVIEW

- Tetra Pak is a world leader in aseptic packaging for liquid food and provides packaging material, processing equipment, filling machines and distribution equipment for a wide range of food products.
- Tetra Pak works for and with customers to provide food processing and packaging solutions.
- The first Tetra Pak system, the tetrahedron carton was, above all, a new way of distributing milk. There is a clear connection between the original thinking behind this system, that a package should save more than it costs, and our processing and packaging innovations today.
- We have grown through innovation and are committed to leading the food industry through continually developing new products and new ways of working which add value to our business and to that of our customers.

FIG 0.1 PACKAGE VOLUMES

Volume of packages produced (billion)

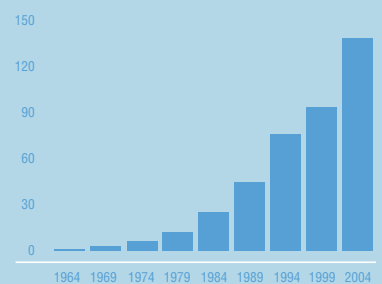
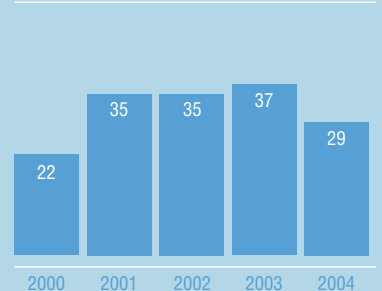
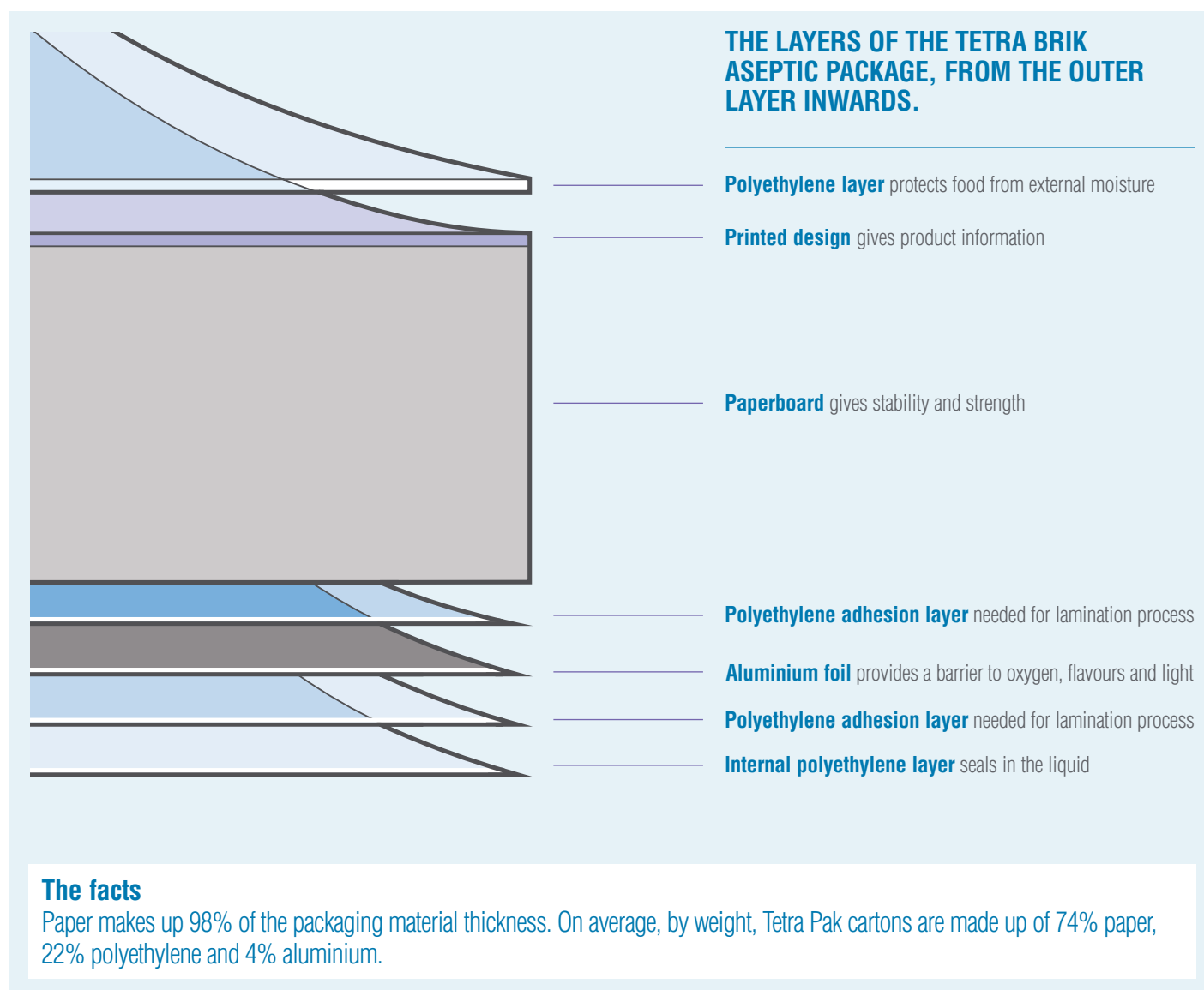


FIG 0.2 INVESTMENTS IN DEVELOPING COUNTRIES AND COUNTRIES IN TRANSITION (as % of total investments made)



OUR PRODUCTS PROTECT WHAT'S GOOD

Tetra Pak's motto, "protects what's good", is an extension of our vision. Within this concept we include the entire value chain – from suppliers to customers, distribution, employees, consumers and society. We further protect the food in the packages and take measures to protect the environment: starting with our choice of a renewable material – wood fibre – as the principal component of our packages.



TETRA PAK PACKAGING

Tetra Pak's packages are designed to meet a wide range of needs – from tough distribution and handling conditions in developing countries, to high performance health products for niche markets in the developed world. Unique materials are developed to meet the need for product protection in the most attractive and economical way – for a multitude of products ranging from tomato sauces to tofu to juice and milk.



Milk, juices, other beverages, ice cream, cheese, dry foods, fruits, vegetables and pet food are some of the many food products that are packaged in our cartons. The cartons are designed to maintain the quality of the food they protect, minimise waste, and reduce distribution costs. We are constantly innovating in order to support our customers and consumers with improved packaging solutions.

In addition to manufacturing packaging material, Tetra Pak also manufactures and installs processing equipment and complete filling and packaging lines. These are developed to make economical use of resources, with minimal consumption of raw materials and energy during the manufacture, filling and distribution of packages.

Tetra Pak has plants worldwide for manufacturing packaging material. Most of this material is delivered in rolls for efficient and economical handling in the warehouse and during transport. The packaging material is composed of a laminate of paper, polyethylene and, for aseptic packages, aluminium foil. The exact combination of constituent materials varies to suit each separate product category, but in each case the only material to touch the contents of the package is food-grade polyethylene.

Preservative-free preservation

When Tetra Pak pioneered the use of aseptic technology back in the 1960s, it changed the liquid food industry forever. Aseptic technology keeps food safe, fresh and flavourful for at least six months – without refrigeration or preservatives – and it allows the retention of colour, texture, taste and nutrition. In addition to improved product quality, aseptic packaging offers a variety of package shapes, consumer convenience and economies in energy and packaging materials.

Tetra Pak's aseptic process ensures that both food and packaging materials are free of harmful bacteria at the moment the food is packaged. To accomplish this everything in the production chain must be commercially sterile. That includes the food and packaging materials, of course. But it also includes all the machinery involved and the environment in which filling takes place.

The product passes from UHT (Ultra High Temperature) treatment to the filling machine in a closed system. Roll-fed packaging material is sterilised and shaped into a tube. The tube is filled with the product and the packages are shaped and sealed below the surface of the liquid. This means

that there is no air space in the package. The extremely thin layer of aluminium foil then keeps out oxygen, bacteria, light and odours, ensuring that the contents remain in perfect condition.

Benefits to consumers all over the world

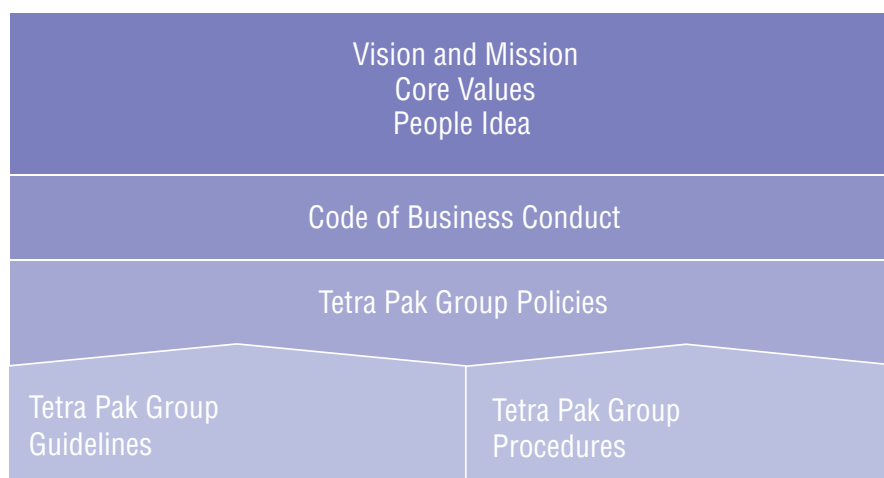
Tetra Pak's aseptic technology provides a broad range of benefits to consumers all over the world. In countries where refrigerated distribution and storage facilities are scarce or non-existent, for example, it provides access to healthy, nutritious food products that might otherwise not be available.

The distribution efficiency provides environmental benefits, while the convenience of aseptic packaging allows consumers to store liquid food and beverages for months without spoilage.

Today, new packaging materials and shapes are being developed to cater to particular market needs around the world. For example, packaging material using silicon oxide instead of aluminium foil as a barrier has been developed to enable packages to be microwaved.

OUR BUSINESS MANAGEMENT PHILOSOPHY AND APPROACH

FIG 1.1 TETRA PAK'S CORPORATE GOVERNANCE FRAMEWORK



CORE VALUES

Our culture is based on core values. These enable a common understanding of goals and strategies in the company and allow us to work well with each other, across cultures and countries.

- Long-term perspective
- Freedom with accountability
- Partnership with customers, suppliers and colleagues
- Innovation and creativity
- Commitment and fun

Our strong values help us to build loyalty and make Tetra Pak a better place to work. To read more about our core values, please visit our website at: www.tetrapak.com

Our approach is rooted in our Swedish origins. We take a long-term perspective, believing that we can best pursue our Vision by working towards long-term goals. We don't lose sight of the need for short-term results, but we avoid 'quick fixes' which bring temporary benefits but may impede long-term progress. We focus on learning and experimentation, and we look for mutually beneficial long-term commitments to customers and suppliers.

Our corporate governance and management framework

Corporate governance is about promoting fairness, transparency and accountability, and can be defined in the relationship of a company with society. In 2004 we formed a steering group, appointed a senior executive to oversee corporate governance and created a framework of policies, procedures and guidelines for all employees.

Our activities and operations are guided by a Code of Business Conduct, which encourages employees to strive for the highest standards of behaviour. It sets out the principles and requirements that we expect all our employees to abide by in their day-to-day decision-making. These principles cover areas such as confidentiality, conflicts of interests, exploitation of minors, and environmental performance.

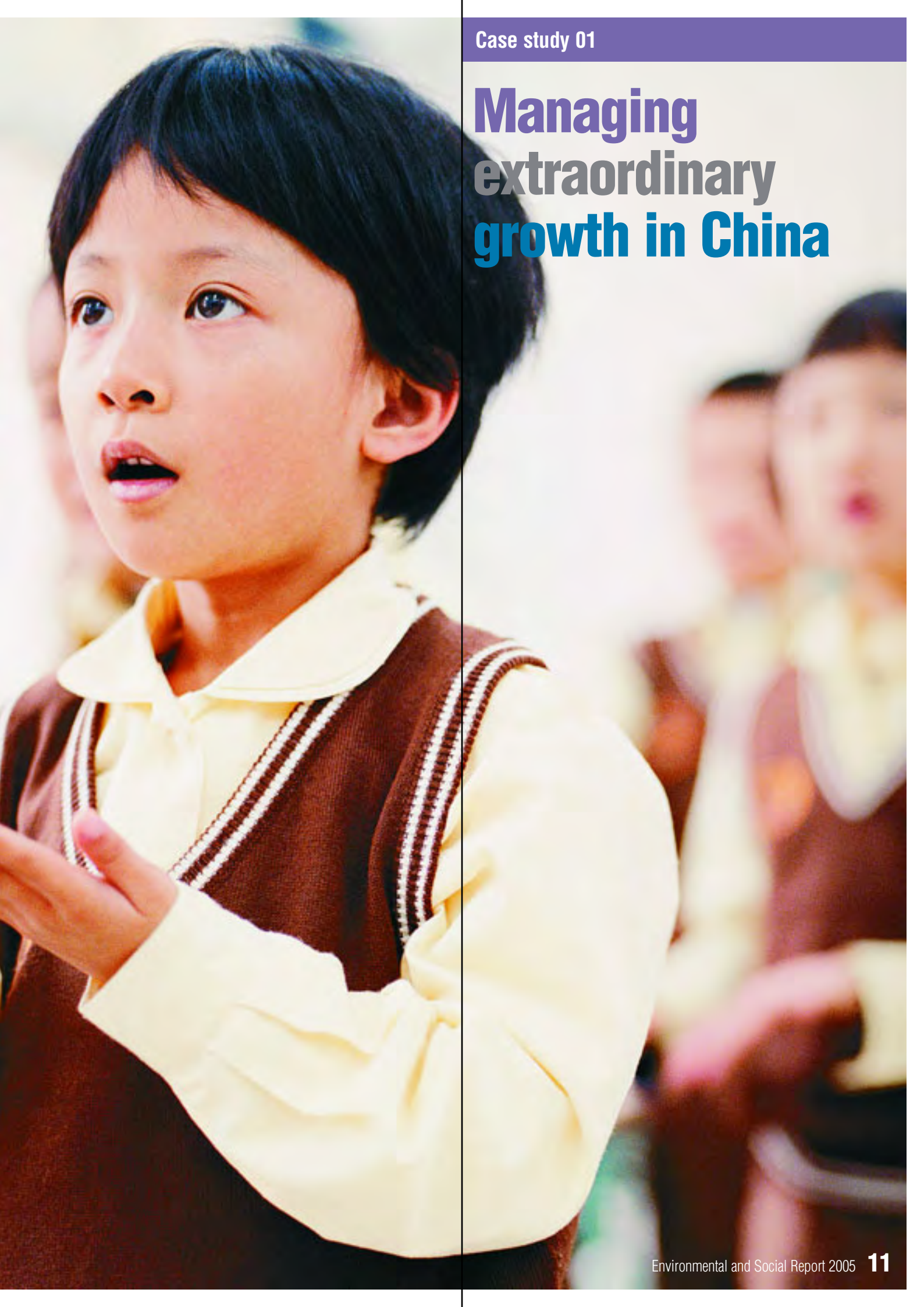
Group policies, procedures and guidelines are in place to support the Code of Business Conduct.

These cover a wide range of business issues such as environment, security, anti-corruption, confidentiality, and recruitment and selection.

While corporate social and environmental responsibilities have become buzz words during the past few years, we have been doing business in this way for decades – from school feeding programmes to infrastructure development to environmental management.

The group policies have been translated into procedures and guidelines that specify how the policies are to be implemented at the operational level. Each senior manager is required to sign a pledge that commits them to applying, communicating, and observing the principles and requirements contained in the Code of Business Conduct.

Tetra Pak has a decentralised management approach that places much of the responsibility for business decision-making as close to the market, customer and local communities as possible. Overall strategic direction is decided at Group level and rolled out within a management framework in which our local companies set their own targets.



Managing extraordinary growth in China



The new converting plant in Beijing demonstrates Tetra Pak's long-term commitment to growing in China.

Tetra Pak has seen extraordinary growth in a number of markets worldwide, one being China. Tetra Pak's first presence in China was in 1972, before an "open-door" policy existed for international business, when the Company exhibited an aseptic filling line at the Beijing Exhibition Center. The first filling machine installation followed in 1979 in south China, packaging chrysanthemum tea, and by 1985 Tetra Pak China Ltd was established in Hong Kong.

Tetra Pak offices were opened in 1993 in Beijing and Shanghai, and joint venture converting plants went into production in the same year in Beijing and Foshan. A wholly-owned Tetra Pak converting plant was established in 1996 in Kunshan, near Shanghai. A second Beijing plant was inaugurated in September 2004, with a converting capacity of 6 billion packs per year. This new plant, a joint venture between Tetra Pak and Chinese partner Beijing Pulp & Paper Experimental Mill, boasts the most advanced technologies and the greatest production capacity of all Tetra Pak's manufacturing plants worldwide. By end of 2004, Tetra Pak's accumulated investment in China had reached 1.6 billion RMB (US\$ 193 million), and its employees numbered more than 1,200, compared to 58 in 1992. This demonstrates our long-term commitment to China, as well as our strategy to grow with Chinese customers.

TETRA PAK'S 2004 SALES IN CHINA WERE OVER 13 BILLION PACKS, ENOUGH TO PACKAGE APPROXIMATELY 3.7 BILLION LITRES OF LIQUID FOOD PRODUCTS. OVER 80% OF THIS WAS COMPRISED OF LIQUID DAIRY PRODUCTS.

Tetra Pak's growth corresponded with the growth of the Chinese dairy industry generally. In 1998, this was valued at US\$ 1.4 billion. By 2004, the total revenue of the industry had increased to almost US\$ 7.5 billion, and the number of jobs had doubled.

The growth of Tetra Pak's customers also led to increased income for farmers. For example, 180,000 farmers supply Yili and Mengniu, two of Tetra Pak's largest customers based in Inner Mongolia. In 2003, the average income of dairy farmers in Inner Mongolia was 6,200 RMB per year, 2.8 times greater than the provincial average for farmers.



BY SETTING UP LOCAL TETRA PAK CONVERTING FACTORIES, THE PACKAGES ARE NOW PRINTED LOCALLY, WHICH OBVIOUSLY SAVES COSTS AND BENEFITS THE CUSTOMERS.

Song Kungang, Chairman of China Dairy Industry Association

TODAY, BASED ON ITS LONG-TERM AND MUTUALLY BENEFICIAL PARTNERSHIPS WITH ITS CHINESE CUSTOMERS, TETRA PAK HAS ONCE AGAIN BUILT A NEW WORLD-CLASS PACKAGING MATERIAL FACILITY, WHICH WILL OFFER GREATER SUPPORT FOR THE PRODUCTION AND PROCESSING OF AMBIENT ASEPTIC LIQUID MILK IN CHINA.

Shi Wanpeng, Chairman of China Packaging Technology Association



Tetra Pak's business in China is growing every year, thanks to the long-term partnerships with dairies and state governments developed over the last decades. By providing technological expertise, financial resources and experience, Tetra Pak has helped the development of China's dairy industry, and has resolved the issue of an uneven distribution of dairy infrastructure between the north and south. As a result, high-quality milk products can now be supplied to the coastal cities.

Experts predict that dairy product sales in China will grow at an annual rate of 15% during the next five years. According to government research, by the year 2010, annual milk consumption per capita will reach 32 kilograms in the cities and 7 kilograms in rural areas.

School milk programme

The State School Milk Programme, which has operated since 2000, provides schoolchildren with safe, nutritious milk, produced by designated companies according to national standards. This is being implemented step by step across the country.

Tetra Pak offers its advanced UHT technology, aseptic filling systems and professional marketing support to participating dairies, ensuring quality milk for students.

CREATING A GREAT AND MOTIVATING PLACE TO WORK

Key Facts:

15,000

employees responded to our Employee Engagement Survey.

4/5

our overall employee satisfaction score.

82%

of respondents to a diversity survey reported they are satisfied or very satisfied working for Tetra Pak.

60%

of respondents feel that opportunities for diverse groups are improving.

OUR APPROACH

We recognise that our success – both commercially and as a responsible corporate citizen – depends on the initiatives, actions and decisions of our people. Individually and together they make Tetra Pak what it is today and what it will be tomorrow.

Tetra Pak was founded on the idea that a package should save more than it costs. Tetra Pak's People Idea is based on the principle that the value of people's commitment and competence should exceed their costs, and that the value to the employee of working for Tetra Pak should exceed the investment he or she makes in the company. It works both ways.

The People Idea, together with our Core Values, constitutes the basis for Tetra Pak's People Strategy. This sets our core areas for action and requires each of our local companies to set specific goals and targets to be achieved.

Diversity within the workplace

> **The challenge**

To increase the number of women in the Tetra Pak Gulf workforce, particularly at management level. In a number of our operations, we also face the challenge of reducing demand for expatriates by developing local talent.

> **Short-term solution**

Hire either an expatriate (60% of the UAE workforce is made up of expatriates) or a local UAE man.

> **Long-term view**

Ensure that the best candidate is hired – in this case a woman – and then take the necessary steps, including construction of separate facilities, to enable her to work under prevailing norms.



Diverse teams provide a broader range of perspectives and ideas.

Tetra Pak Gulf has hired its first local manager in the United Arab Emirates (UAE) – who also happens to be a woman.

With 80 employees representing 19 nationalities, cultural diversity is not a foreign concept for Tetra Pak Gulf in Dubai. But until recently there were no local managers on the payroll – in common with most international companies in the UAE, where around 60% of the population is comprised of expatriates. Nujood Mulla has the distinction of being the first, and currently the only, local manager working at Tetra Pak Gulf. But as the new human resources officer at Tetra Pak Gulf she is in a position to add to the local contingent. “Having only expatriates is not enough”, she says. “I think that we should work towards having more local personnel, just like other Tetra Pak market companies around the world. By hiring me, Tetra Pak has shown a willingness to become even more diverse.” Nujood also appreciates the sense of gender equality at Tetra Pak. She says: “I’ve experienced what it is like to work in male-dominated environments in the UAE, and I’m happy to say that this type of problem doesn’t exist at Tetra Pak Gulf. What I hope for is to see a rise in the number of women in management at Tetra Pak.”

“I THINK THAT WE SHOULD WORK TOWARDS HAVING MORE LOCAL PERSONNEL, JUST LIKE OTHER TETRA PAK MARKET COMPANIES AROUND THE WORLD. BY HIRING ME, TETRA PAK HAS SHOWN A WILLINGNESS TO BECOME EVEN MORE DIVERSE.”

80

employees represent 19 nationalities at Tetra Pak Gulf.

60%

of the UAE population is comprised of expatriates.



OUR GOAL IS TO CREATE A STIMULATING WORK ENVIRONMENT WITH AN ENGAGED WORKFORCE, INTO WHICH WE HIRE AND PROMOTE PEOPLE SIMPLY ON MERIT.

Alastair Robertson, Vice President Human Resources, Tetra Pak Market Operations

I FEEL I IDENTIFY WITH THIS INITIATIVE BECAUSE I’M FROM ARGENTINA, LIVING IN THE USA. LIKE ANY MINORITY I FACE PERSONAL AND PROFESSIONAL CHALLENGES EVERY DAY THAT I NEED TO WORK ON. IN THIS SENSE I THINK IT COULD BE OF MUTUAL HELP.

Walter Cuadrado, Project Manager, Tetra Pak Global IM Americas Inc.



CODE OF BUSINESS CONDUCT WITH RESPECT TO EMPLOYEES

- Tetra Pak companies are expected to recruit, employ and promote employees on the sole basis of their qualifications and ability. As a company committed to diversity and inclusiveness, there shall be no discrimination on the grounds of religion, social standing, ethnic origin, gender, physical abilities, sexual orientation, age or political belief.
- Tetra Pak remunerates its employees in accordance with their job responsibilities and performance in line with the local market conditions in which they operate.
- Tetra Pak supports its employees in developing their competencies to secure their versatility and the company's long-term competitiveness.
- Tetra Pak is committed to providing safe and healthy working conditions for its employees in all parts of the world.
- Tetra Pak does not tolerate sexual, physical or mental harassment or abuse in the workplace.
- Tetra Pak treats its employees with respect.
- Tetra Pak protects its employees' right to privacy.
- Tetra Pak has put policies and systems in place to keep employee data secure.

60%

of middle and top management positions are occupied by nationalities from outside Northern Europe.

6%

of top management are women.

The Tetra Pak Way

Tetra Pak is a values-led company. We strive to provide a demanding yet rewarding, dynamic and safe working environment. Our strategy is straightforward – to provide employees with everything they need to perform well – tools, systems, knowledge, working culture, and awareness. The expectation is that employees take responsibility for their own actions and development. This is our formula for ensuring we have engaged and motivated employees.

We aim to build and maintain a culture of trust, innovation, entrepreneurship, quality, team working, integrity, and corporate responsibility. We have been careful to identify, nurture, and articulate our core values (*see Our business management philosophy and approach*) and to ensure these are fully integrated into the way we work and act. For example, our Code of Business Conduct includes specific elements with respect to employee management (*see above*), and we use our employee satisfaction surveys to assess the motivation and degree of alignment among employees.

Encouraging diversity, ensuring equal opportunity, and respecting human rights

Tetra Pak's origins are Swedish and that legacy continues to serve us well. However, we believe that diversity is increasingly a business strength because diverse teams, if they are well-managed, provide a broader source of ideas and perspectives, and more robust solutions and strategies. We consequently sharpened our focus on diversity during 2004, creating a Diversity Board.

Our ambition is to recruit, employ and promote employees on the sole basis of their qualifications and abilities. There should be no discrimination based on religion, social standing, ethnic origin, gender, physical abilities, sexual orientation, age or political belief.

PLACES OF ORIGIN OF TETRA PAK'S 130 MOST SENIOR MANAGERS

Within top management – the top 130 management positions in the company – 18% are from outside Europe.

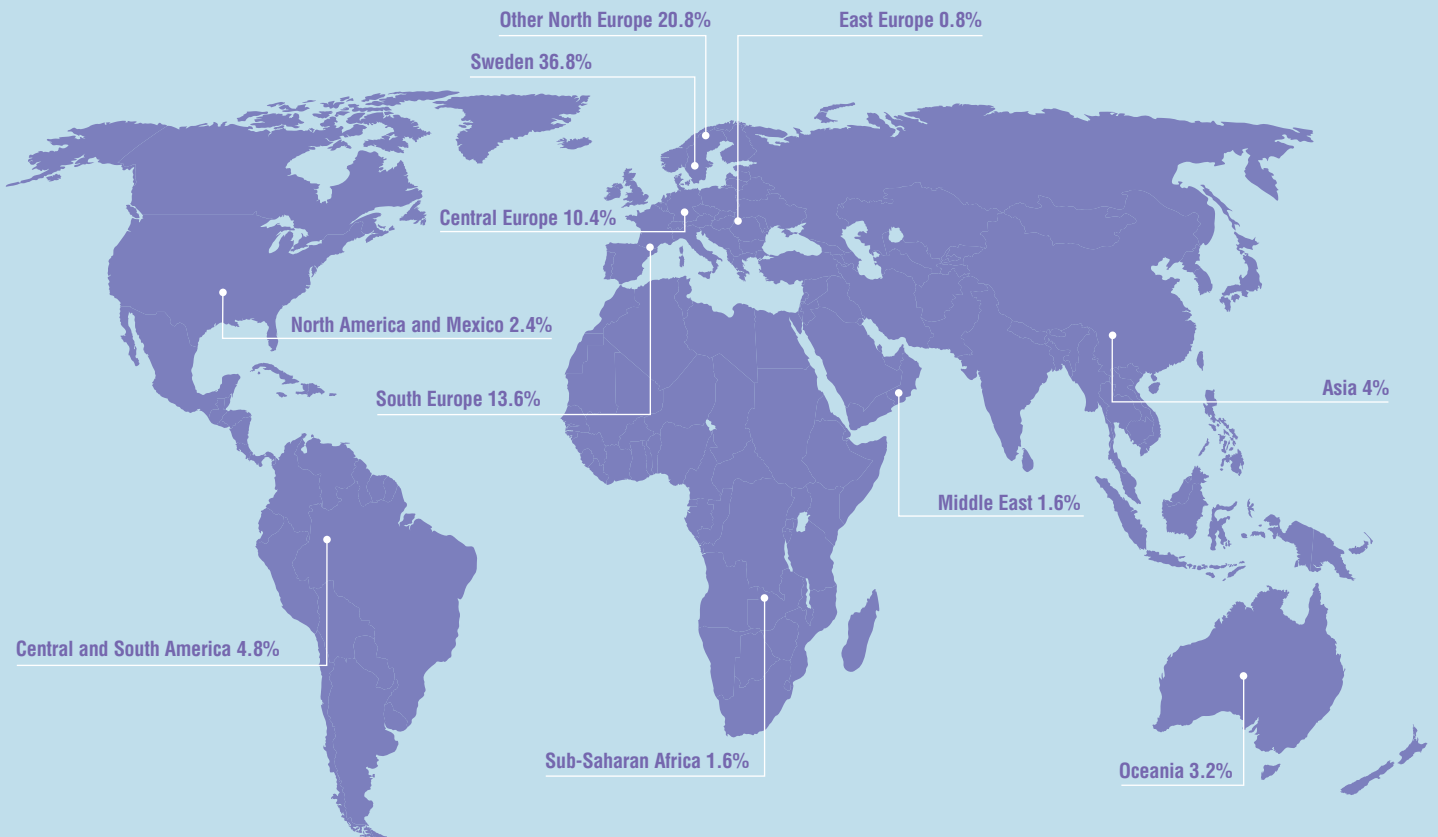


FIG 2.1 SENIOR MANAGEMENT

Employees

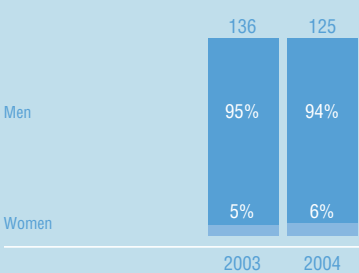
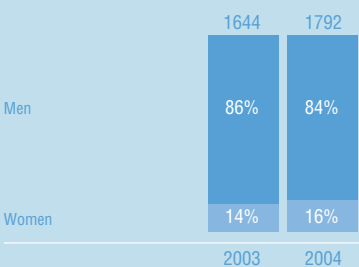


FIG 2.2 SENIOR AND MIDDLE MANAGEMENT

Employees



We have made progress on diversity of nationality in management positions over the past 10 years: while our middle and top management positions used to be predominantly Swedish, today approximately 60% of these positions are occupied by nationalities outside Northern Europe. Within the top 130 management positions in the company 18% are now non-European. This is particularly impressive given that our business areas are based in Europe. We have made less progress on gender diversity. While there have been improvements over the last decade, only 6% of the top 130 managers are women.

Our action on diversity concentrates on gender and nationalities. We have set ourselves ambition levels for gender balance and diversity of nationality. In particular, by 2010 we are seeking to increase the proportion of women in management to 20%, and double the number of women in the top 130 management positions over 2004. Furthermore, to better reflect the employee population and sales base, management nationality should mirror the employee base, and at least a quarter of the top 130 management positions should be from outside Europe.

At Tetra Pak we have a 'zero tolerance' policy on discrimination and harassment at work. Our employment policies are consistent with the principles of the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Core Conventions. These rights include the freedom of association, union membership and representation, and they include a clear assertion that Tetra Pak does not engage or support the use of child labour, as defined in these standards and conventions. We audit our operations against these standards on a regular basis via our internal audit programmes.

Our Corporate Governance Framework is designed to provide a safe channel for reporting irregularities. No complaints were escalated through the framework in 2004. During 2004, a policy was prepared on the Processing of Personal Information aimed at preventing the misuse, and protecting the confidentiality of, personnel information.

Case study 03

In the SWiM

Sustaining Women in Management (SWiM) is a voluntary, global network in Tetra Pak, open to both men and women who support the mission 'to encourage the professional development of women through networking and the sharing of best practice.'

SWiM Chapters are groups of people at country level, taking action to encourage and promote the professional development of women in Tetra Pak. At the end of 2004 there were 14 Chapters with 593 members, of whom more than 20% were men. As a member from the Chapter in Iran recently stated, "The women in Tetra Pak Iran have great potential and a platform for them to be visible was provided by SWiM."



TETRA PAK CAME SECOND IN AN ASSESSMENT BY EMPLOYEES OF THE QUALITY OF THEIR WORKPLACE.

Source: Exido, Sweden

FIG 2.3 TRAINING AND DEVELOPMENT

CLUSTER	TOTAL EMPLOYEES	2004 TRAINING AND DEVELOPMENT EXPENDITURE \$US	AVERAGE HOURS TRAINING PER EMPLOYEE
Central and South America	1,724	1,297,497	37
North Europe	1,118	1,885,333	To be completed

Giving people the opportunity and means to develop

To help our employees develop and work to their full potential we focus on leadership, commitment, and competence development. We encourage job rotation and we offer extensive training programmes for personal and professional development.

At the strategic level, we created the Tetra Pak Academy in 2000 to act as a vehicle for our Global Leadership Team to challenge, develop, and transform the competence of our staff. Under this umbrella, we established a Global Training and Development organisation which is responsible for functional programmes. Tetra Pak has a structured competence development process – to allow employees to identify gaps and thus tailor training and experience needs.

We are in the process of developing our systems for collecting and aggregating data about the investments made in employee training and development by the local companies. We do,

however, have as examples our Central and South America Cluster and North Europe Cluster of local companies (see Fig 2.3).

Labour – management relationships

Employees are often represented on works councils and the health, safety and environmental committees at our operating sites. Tetra Pak has also created a European Information and Consultation Council – which we call the Tetra Pak European Committee (TPEC) – in line with the European Community Directive 92/45/EC.*

The TPEC met twice during 2004, with a focus on Tetra Pak's current business issues and decisions faced by the company. The minutes of these meetings were made available to all Tetra Pak employees.

* The Directive requires all companies above a certain size and operating in more than one European country to have a mechanism by which management must inform and consult employees on key business developments and decisions.

HEALTH, SAFETY AND WELLBEING IN THE WORKPLACE

Tetra Pak is committed to:

- Provide employees a safe work environment.
- Incorporate health and safety considerations into our daily work and business decisions.
- Improve our health and safety performance.
- Comply with all health and safety legislation, regulations and other requirements as an absolute minimum.

Case study 04

e-HR recruitment rolled out worldwide in 2004

Attracting, hiring, retaining the best and brightest talent and placing them in the right jobs is crucial to our success. Accordingly, we launched a new approach to recruiting and deploying talent with Recruiter WebTop™.

All vacancies except Managing Director positions are now advertised internally on the intranet using one of 11 languages. So far, more than 25 different market companies have posted in excess of 630 job advertisements. More than 500 have been successfully filled.

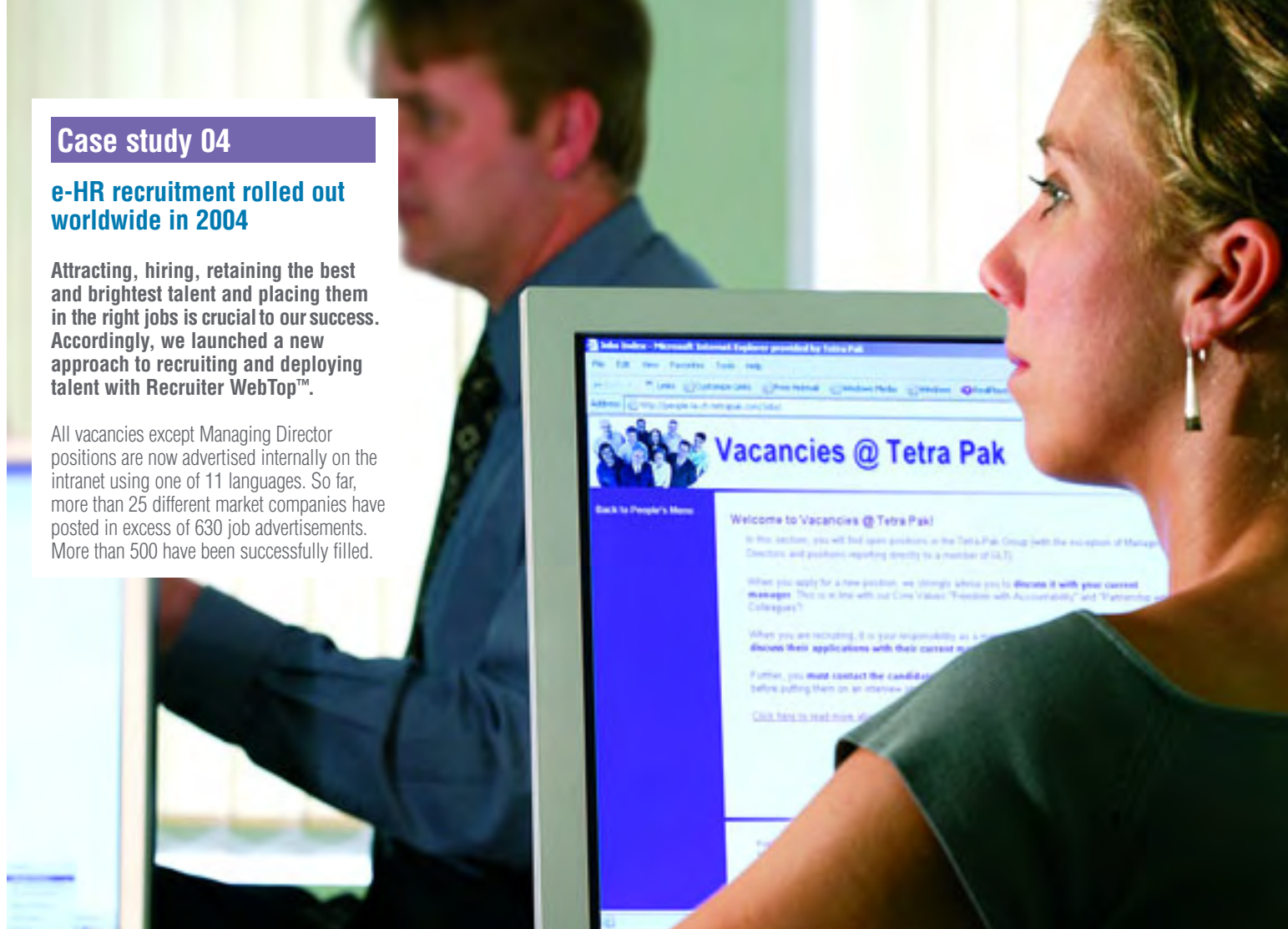


FIG 2.4 OUR SAFETY PERFORMANCE
Workplace accidents

	2002	2003	2004
TOTAL Workplace Injuries	911	877	719
Minor Injuries	764	684	528
Serious Injuries	143	189	190
Extraordinary Injuries	4	4	1

Our safety statistics cover Tetra Pak employees but do not include contractors working at our facilities.

Our goal is to eliminate all workplace related injuries and illnesses and to ensure the long-term wellbeing of our employees. Tetra Pak's policy on health and safety (H&S) has been incorporated into our overall Corporate Governance policy statement (*for further details please visit www.tetrapak.com*). Under this umbrella statement, local companies have the flexibility to elaborate their own local H&S policy statements. Responsibility for implementing Tetra Pak's commitment to providing employees a safe and healthy working environment is devolved to the local companies. They are required to develop and implement appropriate management systems, procedures, and training to ensure a safe and healthy workplace. A number of our sites aim to be certified under the OHSAS 18000 health and safety management system standard.

The safety performance of our main operating plants (carton packaging material plants) is summarised in Fig 2.4.

Tetra Pak is currently reviewing its health and safety Key Performance Indicators as well as the scope of data that is collected and aggregated at Group level. At the time of publication, we were unable to provide Group-wide statistics on our Lost Time Injury Frequency (LTIF) rate but we aim to have the

systems in place to be able to do so by 2006. However, information on LTIF rates is available for our Central and South America Cluster of local companies and for our North Europe Cluster.

Our overall rate of workplace accidents in 2004 continues a clear downward trend since 2002, and we had no fatalities in 2004. We suffered 190 serious injuries, (the majority being cutting injuries), a slight increase over 2003. There was one extraordinary injury involving an employee's fingers being severed in a machine, and actions were taken promptly to avoid similar accidents occurring in the future.

Each of our local companies implements local systems, taking into account local regulatory requirements, to identify and reduce occupational health risks. We have identified musculoskeletal damage, noise exposure, dust exposure, ergonomics, lifting, and stress as the main occupational health issues. Many operations have also developed wellness programmes aimed at helping employees address issues such as weight problems, substance abuse and smoking.

IT IS OUR CORE BELIEF THAT EMPLOYEE ENGAGEMENT HAS BEEN, AND WILL CONTINUE TO BE, THE BASIS FOR OUR BUSINESS SUCCESS.

FUTURE ACTIONS

- An Employee Satisfaction Survey online tool will be introduced. This will enable a confidential web-based survey that can be customised to include locally-specific questions and multiple languages.
- Following the defined diversity ambitions Tetra Pak will use the Employee Satisfaction Survey to measure gender diversity.
- We will continue to develop leadership within the company.

FIG 2.5 LOST TIME INJURY FREQUENCY RATE

CLUSTER	LOST-TIME INJURY FREQUENCY RATE
Central and South America	0.68
North Europe	0.94

How are we doing?

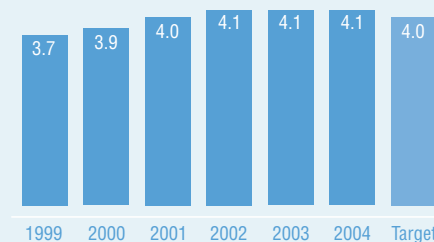
From the beginning of 1999, Tetra Pak's businesses have been measuring employee satisfaction using an employee engagement index. The process now includes an annual Employee Satisfaction Survey (ESS), the outcome of which helps us to gauge whether we are fulfilling the People Idea. It helps us to ensure that we are aware of, and focus on, those things that matter to our employees.

Our objective, set in 1999, was to reach an overall score of 4 (out of a maximum of 5). Most local companies and the Group as a whole have already reached this objective. Nearly 15,000 employees responded to the 2004 ESS, representing an 84% capture rate. The results are summarised in *Fig 2.6*.

The 2004 ESS results tell us that we score well in areas concerning work and responsibilities, work conditions, and employees' understanding of how their jobs affect the customer. Areas that we have identified for further improvement are communication, performance management, feedback and career opportunities.

FIG 2.6 EMPLOYEE SATISFACTION SURVEY RESULTS

Employees



OUR COMMITMENT TO CUSTOMERS

Key Facts:

150+
account managers.

240
customer companies surveyed as part
of our customer satisfaction programme.

1,200
individual respondents.

4/5
top-of-mind score, Customer
Satisfaction survey.

5
the number of years Customer
Satisfaction programme implemented.

A CLEAR FOCUS ON CUSTOMERS

Our continued success depends on being close to our customers and speeding up decision-making to meet customer needs. In 2004 we restructured our market operations significantly to meet this demand.

Local market companies continue to have primary responsibility for local sales and customer relations. They are our eyes and ears for the market, championing customer needs. We want to ensure that operational decisions relevant to this responsibility are taken as close to the customer as possible. Our new structure enables this through greater empowerment at the local level.

Clusters have responsibility for leading, coaching and supporting market companies and enabling the local decision-making processes. Each cluster is led by a Cluster Vice President with a team of function heads drawn from local market companies.

We also continue to learn from our Customer Satisfaction programme. Our aim is to operate as a long-term partner with our customers so that we understand their needs and align our way of doing business to meet them. We want to be a critical part of their success, not just another supplier.

Tetra Pak works with customers all over the world. Some of them are small, local operators while others are multinationals. We aim to provide local service to local customers and global solutions for global customers. This is the philosophy underpinning our customer management approach: local, regional, and international key account management.

A partnership for health

> **The challenge**

To assist a dairy company in Ireland reverse a declining trend in margins, because of increasing commoditisation of the local milk market.

> **Short-term solution**

Provide advice about packaging and filling options, but let the client shoulder the burden of the market analysis.

> **Long-term view**

Draw on our global marketing resources, food scientists, and dosing technicians to work with the customer from market assessment to strategy development and finally to implementation.



A new solution had to be found to dose Omega 3 whilst retaining the taste of fresh milk.

The launch of Omega Milk in Ireland was a win-win situation.

The Dairy recognised early that to stem the decline in profitability, they needed to provide higher value milk products. They had been researching Omega 3 milk from cows fed a high-Omega 3 diet (shellfish). This seemed very promising – no off-taste from the fish, high Omega 3 for health, and a reasonable cost. But because of the BSE crisis, the Irish government had legislated against feeding cows any animal products, and another solution had to be found.

They decided to study the market opportunity for milk with other healthy additives – probiotics for example – and decide which avenue to pursue. But getting good market data on new markets is difficult, expensive, and often not current. The Tetra Pak key account representative canvassed his network in Tetra Pak to determine which segments were growing most successfully, and which markets were most similar to the Irish market. He was able to show the Dairy trends in dairy products, information about their technical attributes, and applicability to the Irish market so that they could assess their best chances in launching a new product.

HIS RESEARCH SHOWED THAT OMEGA 3 WAS ONE OF THE BEST PRODUCTS THEY COULD LAUNCH.

The next challenge was to find a way of adding Omega 3 to milk without making the milk taste fishy. Again, Tetra Pak worked in partnership with the customer to find a solution to processing and dosing the oil, thereby ensuring all the nutritional benefits, while maintaining the fresh taste of the milk. It was also essential that the system could run on the customer's existing packaging machine and to find the right packaging material to preserve the Omega 3.

In March 2004, the customer launched Omega Milk. It was a win-win situation. Consumers were enthusiastic, retailers were pleased, the customer was able to improve its market share and Tetra Pak had built a loyal customer relationship. The Irish Heart foundation has been pleased too: with the launch of Omega Milk, the Foundation plans to promote the consumption of Omega Milk in 1L Tetra Rex cartons to increase heart health awareness.



OMEGA 3 FATTY ACIDS ARE AN ESSENTIAL PART OF A HEALTHY HEART DIET AND SHOULD BE INCLUDED REGULARLY IN A DIET LOW IN SATURATED FAT AND RICH IN FRUIT AND VEGETABLES.

Michael O'Shea, CEO, Irish Heart Foundation

BECAUSE THERE'S A PREMIUM OF 20% OVER AND ABOVE REGULAR BRANDED MILK, PEOPLE WHO BUY OMEGA ARE ACTUALLY VERY STRONG CONVERTS, ARE VERY LOYAL TO IT AND ARE NOT PRICE-SENSITIVE. THEY ARE ACTUALLY BUYING INTO THE WHOLE CONCEPT OF OMEGA AND ITS BENEFITS.

Dermot Moloney, Marketing Manager,
Golden Vale Dairies



A new product was needed to reverse declining margins in the local dairy industry.

Case study 06

Identifying and creating real added value: the Value Report

We understand that customers value the new features incorporated into our equipment, and how they improve processes. We developed the Value Report for one of Finland's largest dairy producers to help us understand the customer's needs and to help them identify the true value of what Tetra Pak was offering.

Working with the customer, we examined Tetra Pak's service in a systematic way and ascribed specific monetary values to criteria in five categories: packaging material, supply chain and deliveries, processing, filling and distribution equipment and technical service. The analysis provided the customer with a more complete and accurate understanding of how the Tetra Pak offering actually adds value to their business.

We were only able to produce the Value Report because we had a long-term customer relationship based on trust, honesty, and transparency.



Different customers have different needs

We understand that customers differ widely and we aim to work with them according to their specific needs. For example, customer satisfaction data tells us that customers in advanced markets are particularly concerned with innovation and strategic alignment. Customers in developing markets, on the other hand, tend to focus on costs. However, individual customers can have very different priorities, as an example from China demonstrates (*see Fast moving customers*).

Ultimately, we want to make it easy for our customers to do business with us, whatever their size and location.

Innovation that anticipates and meets evolving customer needs

Innovation comes in many forms. It can be a new packaging product or a new way of working. To better meet our customer's needs, we have established dedicated customer web-portals at both global and local levels (*see Innovating in customer communications*).

Innovation also requires a long-term perspective, and the vision and determination to see things through. Over a decade ago we began to explore ways of providing a food package that could compete in the canned food market and bring additional benefits to the end-user. The answer was Tetra Recart – a revolutionary packaging solution which now has customers in Italy, France, Mexico and the US, with more on the way.

We collaborated closely with suppliers and customers to overcome the many technological challenges in successfully developing Tetra Recart. The package

needed to be able to withstand 'retort processing' – up to three hours' boiling to destroy any micro-organisms in the contents. At the same time, it needed to be easy to open, easy to stack, and lightweight. Not only did we develop new packaging material to meet these specifications, we also developed a new packaging machine to match the high-speed production capacities in food canning.

Building strategic partnerships

We try to deepen our relationship with customers, including aligning ourselves with their long-term business needs and plans. We have developed a range of tools and services to help customers assess risks, future scenarios, and investment and financing options for new project ventures.

Financial analysts provide analysis and workshops at the customer site to support customers in simulating project alternatives, finding and supporting project financing, and in some cases helping build local financial competence.

FAST MOVING CUSTOMERS

Market categorisation can obscure significant differences. For example, highly-sophisticated companies can be found in less-developed markets, such as China. Customers in these markets often leapfrog technological stages—moving from old, slow technology to the latest advanced systems much faster than more established customers in Western Europe or Japan. For example, a small co-operative dairy in China has become a billion-pack customer in five years. This only happened because Tetra Pak acted as the customer's competence partner in processing and packaging technology, finding the right personnel for them and providing technical service – a true partnership and a real win-win situation.

INNOVATING IN CUSTOMER COMMUNICATIONS

A number of Tetra Pak's market companies have recently developed customer portal websites to provide customer-specific content and e-business services such as stock and order status, invoicing and account statements. In Spain, Tetra Pak introduced an innovative portal through which customers can place orders flexibly and quickly. Customers can save money by batching different orders together, and it now takes just a few minutes to place an order rather than an hour. The uptake by customers has been startling – over 97% of all orders were being handled via the portal within three months of its launch. As one customer put it, "we collaborated closely with Tetra Pak in piloting the portal and were consulted at every stage – this is proof of Tetra Pak's commitment to innovation and new technologies".

FUTURE ACTIONS

- We will focus on strengthening the customer satisfaction process by building on the existing approach and introducing event-driven customer satisfaction surveys. These will provide fast, actionable and specific feedback that we can use to improve key processes, services and products. In addition we will focus, at the local or business area level, on the broad feedback we received from customers regarding strategic alignment, system-wide value for money and technical support.

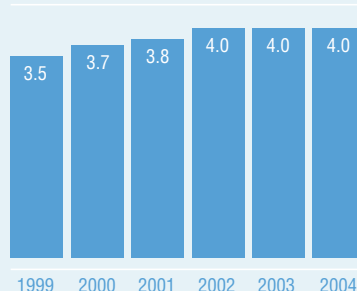
We developed a software tool called Diamonds to enable customers and market companies to create complete project simulations, specifying equipment, materials, financing and associated costs and calculating the impact of these decisions on the customer's and Tetra Pak's financial performance.

How are we doing?

Since launching our Customer Satisfaction programme, we have succeeded in steadily improving the overall level of customer satisfaction year-on-year until 2002, when we met our target level of 4.0 out of a maximum score of 5.0 (see Figure 3.1). This was maintained in 2003 and in 2004.

FIG 3.1 OVERALL CUSTOMER SATISFACTION RATING

TP Group



PROMOTING SUSTAINABLE ECONOMIC DEVELOPMENT

Key Facts:

15m

children in developing countries and countries in transition are reached by our feeding programmes.

26%

the increase in milk production due to a FfDO programme.

4

the number of continents in which FfDO operates.

2,250

jobs created from just one project in Bangladesh.

FOOD FOR DEVELOPMENT

Our Food for Development programme acts as a development catalyst: initiating, developing and supporting projects in developing countries that aim to fight poverty and improve nutrition. We work with our partners to develop agricultural, school milk and other feeding programmes. This helps build new markets and enables longer-term growth for Tetra Pak.

The Food for Development Office (FfDO) provides a variety of services depending on the scale and scope of the project. It may help to set up a public-private partnership across the value chain, support feasibility studies, do market research, approach funding agencies and share best practice from previous experience. It may also be involved in arranging equipment leasing and financing and actually setting up the project.

The FfDO is not a development aid organisation that donates money or products. Instead it helps local companies to build viable businesses that create jobs and promote social and economic development locally.

Solutions are built on an integrated 'value chain' model, addressing the needs of each actor in the value chain (from Cow to Consumer in the case of the dairy industry). This support can include training and education for farmers, commercial

financing of equipment for dairies and consumer education. The food processor in the value chain functions as the engine for growth. When a dairy commits to collecting milk every day farmers can move from subsistence farming to larger scale production, creating employment at all stages of the value chain.

Our first Cow to Consumer project, the Petmol Project, operated in St Petersburg, Russia, from 1997 to 2000. The results were a 26% increase in milk production, a substantial improvement in milk quality standards (now very high), consumption of locally produced milk rather than imported milk and milk powder, and a substantial increase in the consumption of high quality long life milk. Today it is a model for public-private partnerships and similar projects have been established in Georgia and Azerbaijan. New projects are under development in Tanzania, Nigeria, Syria, Kazakhstan, Vietnam and Bhutan.

Food for development programmes



> **The challenge**

To develop local markets and drive profitable growth in developing countries and countries in transition.

> **Short-term solution**

Wait for the market to develop, and then join the rush to sell.

> **Long-term view**

Build public/private partnerships to develop local capacity and create sustainable economic development throughout the value chain.



The Food for Development programme helps to improve nutrition in developing countries and build new markets for Tetra Pak.

New nutrient-packed drink targets malnutrition.

In South Africa, the FfDO has been one of the partners in the launch of a new highly-fortified meal-supplement drink, developed by International Nutrition and Sports S.A. and packed by Tetra Pak customer, Good Hope International. The new drink, Nutri Sip, is based on cooked maize, soy isolates and dairy ingredients. For the target population to receive a well-balanced nutritional drink, Nutri Sip contains protein, carbohydrates, fats, 30 minerals and vitamins and water (the six essential nutrients to sustain life).

The University of Pretoria conducted a study in 12 farm schools in the Province of Eastern Cape, South Africa. After adding one 250ml Tetra Pak carton a day of the new drink, the children made satisfactory gains in body weight, energy levels and concentration levels at school. In its final report, the University team recommended the drink to be part of future feeding schemes in South African schools.

Tetra Pak contributed its knowledge of the packaging and distribution of liquid foods and our extensive network in Africa and worldwide. The project is strong evidence of our ability to move knowledge from the industrialised world to developing countries.

A pilot school nutrition programme using Nutri Sip is now being implemented in the Nasarawa State in Nigeria. This programme is an integral part of a nationwide dairy and agricultural development initiative introduced by President Obasanjo.

This type of new highly-fortified meal supplement is attracting international attention as a way of improving nutrition among at-risk children and adults living with conditions such as malnutrition and malaria in developing countries.

25%

increase in school enrolment numbers in the second year of a programme in Bangladesh.

5bn

servings of food in our packages provided in feeding programmes worldwide.

“

THE MOST CREATIVE AGENTS OF CHANGE MAY WELL BE PARTNERSHIPS AMONG GOVERNMENTS, PRIVATE BUSINESS, NON-PROFIT ORGANISATIONS, SCHOLARS AND CONCERNED CITIZENS.

Kofi Annan, UN Secretary General

”

Food for Development – Public Private Partnerships to promote sustainable development

Numerous studies have shown that if children are properly fed at school, they attend more regularly and learn more efficiently, and have a better chance of helping their nations to lift themselves out of poverty.

In 2004 about 5 billion servings of food in Tetra Pak packages were delivered to approximately 40 million children in schools around the world. About 15 million of those children live in developing countries and countries in transition, where school feeding programmes are mostly set up as partnerships between the public and private sectors.

Most projects are based on milk, but there are others based on beverages made from maize, soy, rice and peas. A successful example is Nutri Sip, launched in South Africa in 2004. (*see case study*). In Cambodia, the FfDO is involved in a soy drink project. In countries with fruit production, juices provide an alternative. During 2004 the FfDO helped initiate new school feeding programmes in Palestine, Nigeria and Guatemala.

In Bangladesh, where we support a school feeding programme first launched by the International Division of the US Dairy Co-operative Land O'Lakes, school attendance improved by 34% since programme launch, enrolment numbers increased by 25% in the second year of the programme, and there were measured improvements in student alertness, learning ability and punctuality. It was also estimated that, after the first year, 2,250 jobs had been created along the value chain.

BY CREATING DEMAND FOR HIGH QUALITY PROCESSED MILK, THE PROGRAMME HAS ALSO HELPED ESTABLISH THREE LOCAL UHT MILK PROCESSORS WHERE NONE PREVIOUSLY EXISTED – AND HAS OPENED UP EXCITING OPPORTUNITIES FOR THE NATION'S DAIRY FARMERS.

We are convinced that our engagement in developing countries is only credible and economically sustainable if it is long-term and supports customers, society as a whole and Tetra Pak.

For more information about Food for Development and Tetra Pak's work, see www.tetrapak.com/ffdo

CONTRIBUTING TO OUR COMMUNITIES

Key Facts:

€20m

or more contributed in funds, as well as in-kind products and services to non-profit organisations and educational institutions worldwide.

\$1.5m

given in aid for relief work.

69

girls have received educational support in the last 20 years of the ALMA initiative.

MAKING A POSITIVE DIFFERENCE

We are members of our communities, and as such we find it important to contribute both financially and in kind.

We are committed to operating in an ethically responsible way and abiding by all applicable laws, and we are committed to protecting and improving local environments for future generations (*see Our Business Management Philosophy and Approach and Protecting Our Environment*).

Through our continued financial health we also contribute through provision of valuable products, employment and paying taxes.

In 2004 we contributed over 12 million Euros in funds, as well as in-kind products and services, to non-profit organisations and educational institutions worldwide. The largest single donation was US\$ 1.5 million to the relief effort following the asian tsunami disaster in December (*see case study 08*). We also participated in a wide variety of activities and programmes (*see Investment in communities*).

Employees donate regularly to charitable organisations and initiatives, and have been doing so for many years. One such initiative, to support women in developing countries, is called ALMA. Every month, around 200 employees deduct money from their salaries to support ALMA – the company then contributes an equal amount to double their donations (*see case study 09*).

The funds support talented and needy schoolgirls in Kenya (Machakos and Nyeri) and India (Jammu). The money pays for school fees and other expenses in connection with the girls' studies, such as school uniforms, books and to some extent dental and medical care. In India ALMA also buys milk for the girls, as some of them suffer from poor nutrition.

Since the start of the initiative 20 years ago a total of 69 girls have received support for their education.

Tsunami relief effort

> **The challenge**

To help rebuild the economically ravaged areas affected by the tsunami.

> **Short-term solution**

Make a financial contribution towards disaster relief in critical areas.

> **Long-term view**

Deliver immediate aid in the form of food and water, but also maintaining relations and supply chains with not-for-profit organisations to ensure that local populations can be productive again.



Tetra Pak, its employees and customers made significant contributions to the tsunami relief effort.

A co-ordinated effort by Tetra Pak market companies in the affected countries delivered more than 1.4 million litres of food and water to victims of the December 26 tsunami in southern Asia.

Tetra Pak worked with customers, governments, NGOs and other partners to deliver more than 6 million ready-to-drink single serve packages of milk, water, oral rehydration solution and soya drinks. Our global commitment to the appeal was valued at US\$ 1.5 million. But our customers contributed more. For example, in India 90% of Tetra Pak customers contributed to the effort.

Beyond the Tetra Pak corporate commitment, the Company's staff in the region also responded personally. In India, staff gave a day's salary each to the appeal. In Indonesia, staff gave in a clothing drive for victims in the badly hit Aceh province. In Singapore, staff built on an initial SDR 5000 'seed' donation from the Company to achieve a fund of SDR 38,000 (US\$ 23,275).

BEYOND THE TETRA PAK CORPORATE COMMITMENT, THE COMPANY'S STAFF IN THE REGION ALSO RESPONDED PERSONALLY. IN INDIA, STAFF COMMITTED A DAY'S SALARY EACH TO THE APPEAL.

1.4m+
litres of food and water were delivered to tsunami victims.

90%
of Tetra Pak customers in India contributed to the effort.

PROVIDING BUSINESS COMMUNITY LEADERSHIP

"There must be honour in the end" says Kelly Boucher, Regional Director Middle East for Tetra Pak's Food for Development Programme, and first elected Executive Chairman of the Board for the Global Compact in Lebanon. Kelly is seeking to provide Tetra Pak as a model of ethical business conduct and is driving a process to help companies implement the Global Compact. She is developing workshops that will support a phased approach to implementation, and help every company make the Global Compact their own. Because so many nationalities are involved in Lebanon, all communication, implementation and workshops need to incorporate diversity of religious beliefs, ethnic backgrounds, genders and nationalities. At Tetra Pak, the Pledge that management is required to sign provided a common understanding of expectations and the rules for behaviour. This has helped employees support the spirit as well as the letter of the Pledge and create a culture that supports long-term business partnerships based on trust.

With the Ministry of Industry and Trade on the Board, as well CEOs of Lebanese as well as international companies, Tetra Pak and the Global Compact are leading to a new way of doing business, and encouraging employees to do the right thing according to global norms of transparency and principles.



GREASING PALMS IS AN ACCEPTED WAY OF DOING BUSINESS HERE – BUT WE ARE RE-EMPHASIZING BUILDING TRUST FOR LONG-TERM RELATIONSHIPS AND HONOUR.

Kelly Boucher, Regional Director Middle East for Tetra Pak's Food for Development Programme



Case study 09

ALMA

Esther Kiarie sits at the front of her class at Gataragwa Girls Secondary School, which is perched high over the East African Rift Valley.

Esther dreams of going much further. "I want to go to Nairobi next year to become a nurse," says the 17-year-old.

Not long ago, the thought would have brought tears to her eyes. Although she was good at school, her parents could not afford the fees. Their tiny plot of land was barely enough to support her family. When they could not pay Esther's fees, the school had to send her home for two months.

"I had really given up – I thought she was never coming back," says English teacher Crispus Munuhe. But help came, thanks to the ALMA initiative which allows employees from the Tetra Laval Group to donate from their monthly salaries to help girls like Esther.

She knows very little about her foreign benefactors, but is immensely grateful to them. "Otherwise I would be at home with my parents, planting maize and potatoes. Now I can get a job and earn money to help them," she says.



ALMA SUPPORTED 11 GIRLS IN INDIA AND 19 GIRLS IN KENYA DURING 2004. THE NUMBER AND VALUE OF CONTRIBUTIONS HAS INCREASED SO MUCH THAT THE ASSOCIATION WILL BE ABLE TO INCREASE THE NUMBER OF GIRLS WHO BENEFIT DURING 2005.

Listening and responding to communities

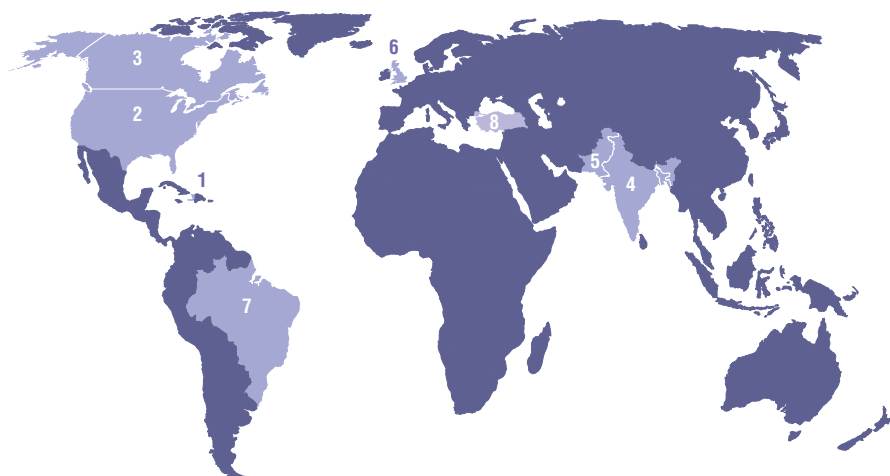
We maintain open lines of communication on key environmental and social matters with the communities in which we operate. This, our first corporate Environmental and Social Report, is one way of communicating our performance, challenges and progress in these areas, and fostering dialogue with stakeholders.

Business ethics

Tetra Pak is committed to abiding by all applicable laws and operating to the highest ethical standards, as outlined in Our Business Management Philosophy and Approach.

In 2004, Tetra Pak had no cases of bribery, corruption, or industrial espionage brought against it. Neither have we had any issues regarding payment of taxes or customer/consumer privacy. Far from it – in light of our business standards and values, we are taking a leadership position in working with customers and our local communities to implement the Global Compact's principles and norms of transparency (*see Kelly Boucher story*).

INVESTMENT IN COMMUNITIES – SOME EXAMPLES



1 Haiti:

Nutrisoya Foods of Saint-Hyacinthe, Quebec, sent a full container load of Natur-a soya beverages in 1 litre Tetra Pak cartons at the end of September to hurricane victims in Haiti. "In light of the human tragedy caused by recent natural disasters, we wanted to do our share in helping the Haitian population overcome their current ordeal," said Nutrisoya Foods President and CEO Nick Feldman.

2 US:

Tetra Pak US teamed up with NY-based East Side Entrées and the US Department of Agriculture (USDA) to provide nearly a half million servings of fresh UHT milk to families devastated by Hurricanes Frances and Charley in Florida. East Side Entrées and USDA provided the milk, Tetra Pak provided the packaging. "These efforts are great examples of how the private and public sector can work together to provide a needed commodity to distress victims," said Gary Davis, CEO, East Side Entrées.

3 Canada:

Tetra Pak was a proud sponsor of the "Tour for Kids" cancer fundraising campaign. Over 150 cyclists participated and, together with sponsors like Tetra Pak, raised over \$300,000 which will be used to send kids with cancer to one of five extraordinary cancer summer camps in Ontario next year.

4 Bangladesh/India:

Food producers in Bangladesh and India joined with Tetra Pak and NGOs to deliver emergency supplies to victims of the July and August floodings. More than 500,000 cartons of UHT milk, juice and oral rehydration solution (ORS) bolstered the two nations' relief effort.

5 Pakistan:

Tetra Pak Pakistan donated more than half a million rupees to the Citizens Foundation, which provides free education to children who cannot afford to go to school, and to SOS Villages, an NGO running

foster homes. Tetra Pak Pakistan also joined hands with WWF and other corporate citizens and schools to organise a day long, fun-filled Nature Carnival at the Ali Institute of Education. The aim was to raise awareness of the environment among children in an entertaining way.

6 UK:

As part of its carbon management initiative, Tetra Pak UK purchases 80% of its carbon offsets from the Plan Vivo project in Uganda. Whereas many large-scale forestry offset projects have been criticised for not giving any benefit to local communities, this scheme is heavily oriented towards improving local livelihoods and social and economic sustainability.

7 Brazil:

To inform communities about the importance of kerbside collection and recycling, Tetra Pak established an internet communication channel (falecom.meioambiente@tetrapak.com; www.tetrapak.com.br). The most frequently asked questions are related to where recycled materials are collected and traded, Tetra Pak's environmental education programme and the recyclability of materials. Tetra Pak also provides environmental kits (consisting of booklets, issues of Tetra Pak's environmental magazine and a series of leaflets about kerbside collection and recycling) to people seeking environmental information.

8 Turkey:

Tetra Pak Turkey has worked intensively over the past ten years to improve environmental performance and to promote recycling. This is now being communicated to the public through a project named 'Little Things Renew Nature'. The project, endorsed by The Ministry of Education, The Ministry of Environment and Forestry and Anadolu University, involves elementary school children taking part in class seminars to raise awareness of renewable resources and the environment. The project is successful and will continue in the coming years.

FUTURE ACTIONS

- We will continue to support our communities through direct aid, education, community leadership, and partnership activities.
- We will continue to support the development of highly nutritious, cost-effective liquid products through partnerships with health and soy associations, for example.
- We will explore possibilities for partnership with NGOs, international organisations, venture capital companies, governments and private enterprises in the areas of environment, education, nutrition and agriculture.

PROTECTING OUR ENVIRONMENT

Key Facts:

18bn

beverage cartons recycled 2004.

16%

post-consumer recycling rate globally.

6%

energy efficiency improvement.

up to 35%

reduction in plastic inner lining through the Tetra Wide project.

28%

reduction in VOC emissions.

PHILOSOPHY AND APPROACH

We are committed to minimising the environmental impact of our business. We understand that all our operations affect the environment and we strive to continually improve our environmental performance, throughout our activities – from design to end-of-life.

We have developed the goals, activities and organisational and evaluation structures necessary to turn this commitment into action, and our employees, suppliers, customers and local communities are important partners in achieving these goals.

Tetra Pak Global Environment defines and implements environmental strategies, develops supporting policies and ensures implementation throughout Tetra Pak. Cluster environmental leaders and market company environmental managers are

responsible for developing and implementing cluster and market-specific plans which meet local needs and which contribute to global environmental goals.

We recently formalised our longstanding environmental commitment in a new policy, which was approved in 2004 and came into effect on 1 January 2005.

Environmental sustainability



> **The challenge**

Meet the demand for wood fibre in expanding South American markets.

> **Short-term solution**

Exploit Brazil's forests while meeting minimum legal requirements only.

> **Long-term view**

Ensure that biodiversity is protected and the forest is managed to rigorous, internationally-agreed standards.



Klabin was the first pulp and paper company in the Americas to have FSC-certified forests.

Klabin was originally a local board supplier for our Brazilian factories only. However, by working closely with Tetra Pak, the company is now one of our global suppliers, and the main supplier for our converting plants across Latin America.

Klabin committed itself to sustainable development long before certification procedures began to be adopted. This commitment was demonstrated by the way Klabin planted its forests of pine and eucalyptus and preserved the native forests.

Today, economic, environmental and social criteria are used to establish certification for Klabin's forest holdings in the State of Paraná to the well-known Forest Stewardship Council (FSC) standards. Indeed, Klabin was the first pulp and paper company in the Americas to have FSC-certified forests.

One of the largest conservation areas in Paraná, amounting to 38% of Klabin's total forest area, is at Monte Alegre. Here, about 130 tree species from 40 different families form 85,000 hectares of native forest interconnected by ecological corridors.

Klabin is also active in post-consumer carton recycling, and in the development of plasma technology for the separate recovery of the aluminium and polyethylene fractions.

IN ITS OWN FORESTS IN BRAZIL, KLABIN PRESERVES 119,000 HECTARES OF NATIVE FOREST INTERMINGLED WITH 183,000 HECTARES OF PINE AND EUCALYPTUS FROM REFORESTATION PROJECTS, THEREBY PROTECTING BIODIVERSITY AND ASSURING ECOLOGICAL BALANCE.

53%

of the fibre in our board is from independently certified forests.

90%

of the fibre in board made by Klabin comes from its own independently certified sources.



KLABIN HAS A HISTORICAL COMMITMENT TO SUSTAINABLE DEVELOPMENT, WHICH WAS ESTABLISHED BY THE COMPANY'S FOUNDERS AND IS STRICTLY ADHERED TO. PROOF OF THIS COMMITMENT IS THE FSC'S CERTIFICATION OF KLABIN'S FORESTS AND PAPERBOARD PRODUCTION CUSTODY CHAIN.

Miguel Sampol, CEO Klabin

KLABIN IS VIEWED AS AN UNQUALIFIED SUCCESS, SHOWING THAT THE COMBINATION OF IMPROVED SOCIAL BENEFITS AND ENVIRONMENTAL COMMITMENT IS A GOOD INVESTMENT. AT FSC WE ARE PROUD TO HAVE SUCH GOOD EXAMPLES OF SUSTAINABLE FOREST MANAGEMENT.

Heiko Liedeker, Executive Director,
The Forest Stewardship Council



Young pine trees are established in tree nurseries before being planted in the forests.

ENVIRONMENTAL POLICY

The policy commits us to:

- Take a long-term and lifecycle view.
- Continually improve environmental performance.
- Achieve pollution prevention.
- Meet or exceed internal guidelines, standards and requirements, relevant environmental legislation, and all other external requirements to which we have subscribed.
- Understand and responsibly manage areas of environmental risk and uncertainty as well as known environmental aspects of our products and processes.
- Fully integrate environmental considerations into strategic management decisions, policies, programmes and practices across our business.
- Work with our suppliers to drive environmental improvements, particularly with respect to forestry.
- Communicate openly and credibly with our stakeholders and report regularly on our performance.
- Be environmentally proactive in every market where we do business.

We have set two Global Environmental Goals to drive progress throughout the company. These specifically focus on improving energy efficiency by 15% between 2002 and 2005, and increasing the rate of post-consumer recycling from 13% in 2001 to 25% in 2008.

For market companies we have adopted a global 'One Step Ahead' programme, through which we aim to be at the forefront of environmental activity wherever we operate by 2005.

All our converting factories have environmental management systems (EMS) and are certifying these to the international ISO 14001 standard. By the end of 2004, 84% of all our manufacturing plants had systems certified to ISO 14001.

Key issues

As a multinational packaging business, producing approximately 111 billion cartons in 2004, we obviously have an environmental impact.

The issues that we currently consider to be our most significant, and the ones we focus on in this report, are:

- Forestry
- Energy use
- Recycling of post-consumer packages

We also monitor performance in other areas using environmental performance indicators (e.g., VOC emissions and factory waste handling). These are reported later in this section. Further details can be found on our website: www.tetrapak.com/environmentalperformance, along with information on other environmental issues.

Raw materials and suppliers

The main raw material we use – paperboard – is made from wood, a renewable resource. By itself, however, this is not enough. We place considerable emphasis on our suppliers, and indeed their suppliers, achieving the highest environmental and social standards.

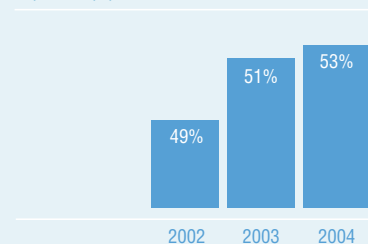
We have a long-term partnership with suppliers, and together we try to find ways to improve.

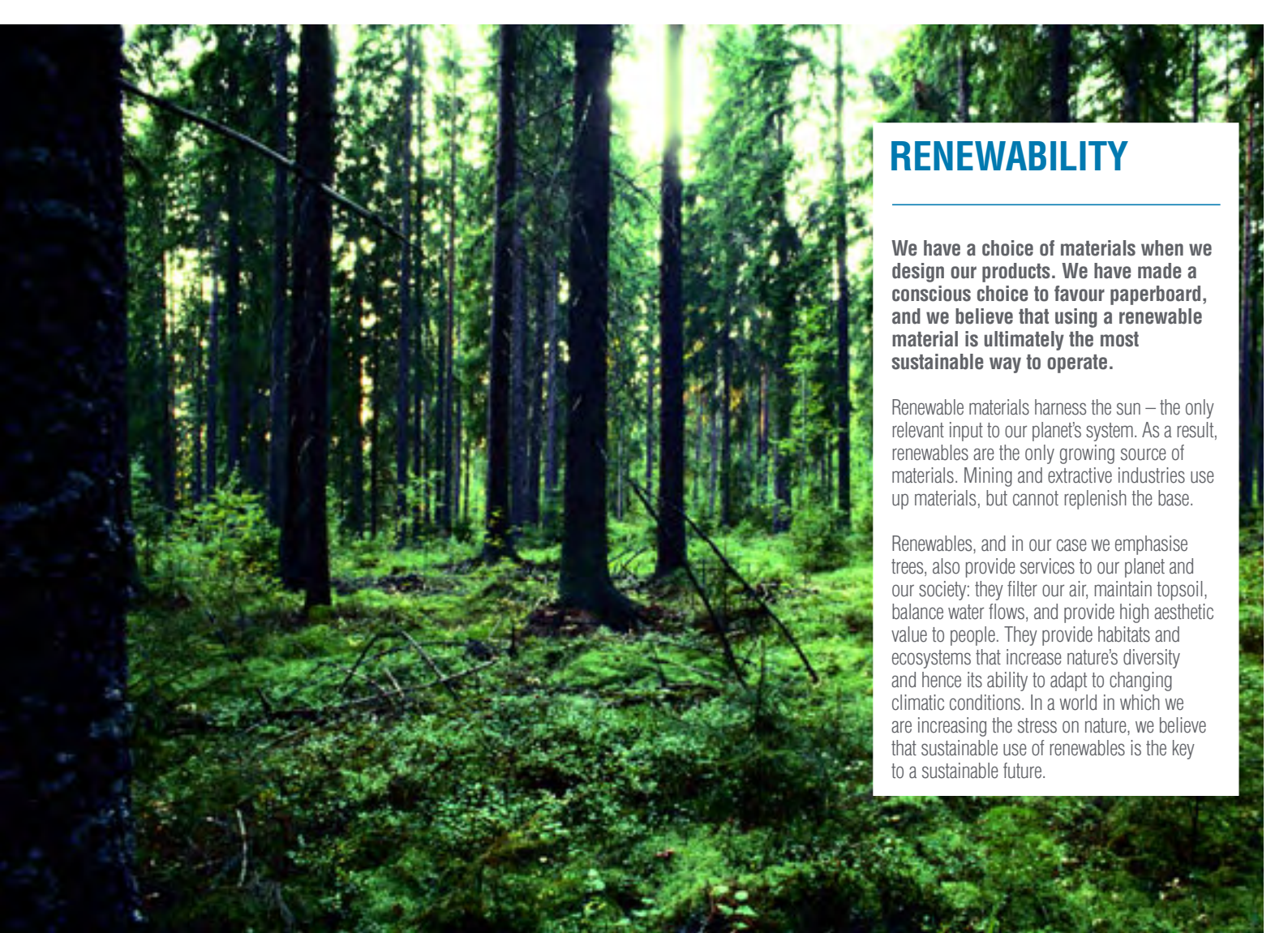
We published an updated Statement on Forest Management in December 2004, describing our objective that all the wood fibre used to make our packages should come from, and be shown to come from, forests that are independently certified in accordance with the principles of sustainable forest management. We are monitoring the progress towards this objective.

Our global suppliers of paperboard have worked hard in recent years to achieve, and demonstrate, good management of their own forests, and they have implemented verifiable systems to ensure the traceability of wood fibre. We ask them to continue moving towards our ultimate goal, that all the fibre in our packages – including material sourced from third parties – is from independently certified, well-managed forests.

FIG 6.1 PAPERBOARD SOURCES

Share of independently certified sources used to produce paperboard for Tetra Pak





RENEWABILITY

We have a choice of materials when we design our products. We have made a conscious choice to favour paperboard, and we believe that using a renewable material is ultimately the most sustainable way to operate.

Renewable materials harness the sun – the only relevant input to our planet's system. As a result, renewables are the only growing source of materials. Mining and extractive industries use up materials, but cannot replenish the base.

Renewables, and in our case we emphasise trees, also provide services to our planet and our society: they filter our air, maintain topsoil, balance water flows, and provide high aesthetic value to people. They provide habitats and ecosystems that increase nature's diversity and hence its ability to adapt to changing climatic conditions. In a world in which we are increasing the stress on nature, we believe that sustainable use of renewables is the key to a sustainable future.

Translating this ambition into practice is a major task. We therefore use a step-by-step approach towards accredited traceability and towards full certification of forests against our preferred certification schemes.

We also evaluate our main global suppliers of paperboard, plastic, aluminium and ink on their overall performance, and how well they are doing in environmental matters constitutes 3-10% of their overall score. The supplier rating aims to encourage improvement and is considered in central purchasing negotiations.

Transport

The transportation of raw materials to our factories, and of packaging material and machines to our customers, has environmental impacts. In 2004, it is estimated that all forms of transport released 297,000 tonnes of carbon dioxide (CO₂), through the burning of fossil fuels. This is almost as much as the CO₂ emissions linked to the energy use in our operations (see page 36). To address these issues, we evaluate our transport suppliers.

All centrally contracted transport and travel suppliers complete an annual environmental questionnaire. After evaluation, each supplier is individually ranked and any falling short of our expectations is asked for an improvement plan.

Prospective travel and transport suppliers must complete the questionnaire before we enter into negotiations with them. If our standards are not being met, we may include an environmental action plan as part of a future contract. Our standards are based on an environmental management system with certain requirements for continuous improvements, and have been developed together with other large transport and travel buyers.

Impact of our operations

Energy use is a major environmental factor in our production. Energy from burning fossil fuels contributes to local and regional air pollution, and global climate change.

Case study 11

Efficient energy generation in Pune, India

Our converting factory in Pune, India, uses diesel engines for energy production. Such units normally only generate electricity, and indeed the main reason for the factory having its own generators is to ensure a secure electric power supply. But the factory has invested in an absorption cooling system that captures excess heat from exhaust gases and generates cold water needed for production machine cooling and air-conditioning. Thanks to this co-generation of power and chilled water, substantial savings of electrical energy are achieved.

- In 2004, this system saved 3,900 GJ of electricity.
- The overall efficiency of the power generation system was 38% before installing the absorption chillers. This has improved to 44%.



“ WE IMPROVED ENERGY EFFICIENCY AT WREXHAM BY 21% FROM 2002 TO 2004, THANKS TO A MORE EFFICIENT HEATING AND VENTILATION SYSTEM AND ACTIONS IDENTIFIED THROUGH OUR WORLD CLASS MANUFACTURING PROGRAMME.”

Stewart Gunn, WCM Safety and Environment Pillar Leader, Wrexham factory, UK

Energy efficiency goal

We have set a Global Environmental Goal for our use of energy to be 15% more efficient in 2005 than in 2002. The goal covers all Tetra Pak facilities, including manufacturing sites, research and development centres, support companies and offices.

Energy efficiency in carton packaging material production, which accounts for 79% of total energy use, improved by 8% between 2002 and 2004. Encouragingly, we achieved a net reduction in total factory energy consumption for the first time in 2004, even with a 4% increase in production volume. This is a positive sign that we are starting to decouple resource use from business growth.

For Tetra Pak as a whole, we achieved 6% improvement in energy efficiency between 2002 and 2004. This is below the rate needed to achieve the 2005 target. We plan to further increase investments in energy efficiency in 2005.

Our UK and Singapore plants were particularly successful in reducing energy consumption.

They installed demand-control systems for ventilation, which automatically control fan motors to match actual need. This also reduces the cooling requirement for air conditioning. Other improvements were achieved by improving switch on/off procedures for machines and equipment. Better equipment utilisation and increasing production volumes also contributed to energy efficiency in many of our factories.

Activities driving improvement

- Every year, each factory sets annual targets and defines plans to achieve them.
- In 2004, experts continued to perform energy saving investigations in our factories, focusing on heating, ventilation and air-conditioning. Investigations were performed in another 9 factories, identifying potential energy savings of between 5% and 28%.
- We are starting to use a World Class Manufacturing programme as a tool to drive environmental performance improvement and also to spread best practice among factories.

FIG 6.2 ENERGY USE (TJ)

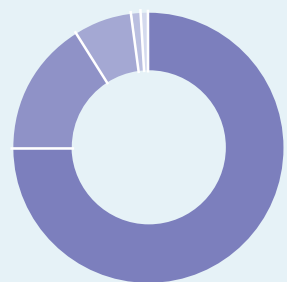


FIG 6.3 ENERGY EFFICIENCY BY OPERATION

Note: Negative value means that energy efficiency has worsened.

CATEGORY OF OPERATION	SHARE OF TOTAL ENERGY %	IMPROVEMENT 2004 VS. 2002 (%)	UNIT
Carton packaging material production	79	7.8	GJ/MILLION STANDARD PACKAGES
Closure Production	10	-4.1	GJ/TONNE MATERIAL USED
Straws, strips and film production	2	5.8	GJ/TONNE MATERIAL USED
Packaging machines and support services	5	11.5	GJ/YEAR
Processing Companies	3	-20.4	GJ/YEAR
Market Companies	1	1.6	GJ/YEAR
TETRA PAK TOTAL	100	5.9	—

The table shows the share of total energy use for each part of the company, and progress to date. The total (5.9%) improvement is a weighted average based on the share of total energy use for each type of operation.

Carton packaging material production is easily the largest user of energy (79%) followed by production of closures (10%). Energy efficiency in closure production decreased due to additional investments in air-conditioning capacity and changes in product mix. In processing companies, expanded building space and more intensive machine testing contributed to the worsening in energy efficiency between 2002 and 2004. To counteract this trend, several activities have started, such as the optimisation of testing procedures.

Electricity is the main form of energy used (75%). Other fuels, such as natural gas, are used for heating premises and for process-specific purposes such as drying printing inks.

Greenhouse gas emissions

Increasing emissions of greenhouse gases (GHGs), especially carbon dioxide, are widely believed to be changing the earth's climate in a way that will have serious consequences for society and natural habitats. Our sites' emissions mainly stem from energy use, especially electricity (83%). Our reporting includes direct emissions from burning fuel at our sites, indirect emissions from electricity generation by our energy suppliers, and to a

limited extent, the emission of cooling agents. In 2004 GHG emissions were 370,000 tonnes carbon dioxide equivalent (CO_{2e}). This is 2% greater than in 2003, mainly as a result of an increase in electricity consumption due to an increase in production volume.

In 2004 we also investigated using renewable energy sources, which produce minimal greenhouse gas emissions.

We will continue to develop our approach to climate change in 2005, including emissions from transport.

Volatile organic compounds

Emissions of volatile organic compounds (VOCs) arise mainly from solvents used in printing inks, and from printing plate production.

For most of Tetra Pak's packaging material, water-based inks (organic solvent content normally below 5%) are used.

There is a clear downward trend in VOC emissions to air from our factories over the last three years. This is mainly due to the installation of abatement equipment.

Factory waste handling

Recycling is the dominant waste handling option, with 95% of waste recycled. The share of waste sent to landfill and incineration without energy

FIG 6.4 FACTORY WASTE HANDLING

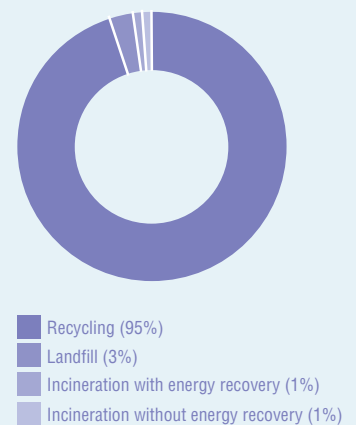
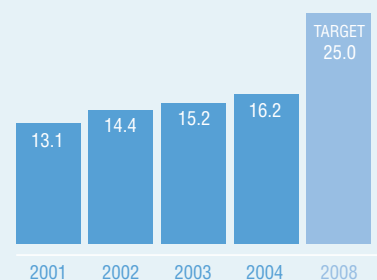


FIG 6.5 RECYCLING RATE EXPANSION

Tonnage delivered/consumed (%)



Note: the previously reported recycling rates for 2002 and 2003, of 4.6% and 15.4% respectively, have been revised.

“THE RECYCLING GOAL SET IS AMBITIOUS, AND IT’S DRIVING ACTIVITIES ACROSS THE WHOLE COMPANY. RECYCLING VOLUMES HAVE BEEN STEADILY INCREASING OVER THE LAST 3 YEARS.”

Mario Abreu, Forestry and Recycling Director, Tetra Pak Global Environment

recovery constituted 4% of all factory waste reported for 2004. The data covers non-hazardous solid waste from carton packaging material plants.

Recycling of post-consumer packages

The recycling of our packages after their use by consumers is a key element of our environmental strategy. We recognise that recycling is an important issue for our customers, consumers, governments and for society at large, and we aim to tackle this issue.

Our Environment Policy, 2004, states that all our packages shall be suitable for recycling, and new developments will include, when needed, the development of appropriate recycling technologies.

We have set a global goal to increase the average recycling rate of post-consumer Tetra Pak cartons from 13% in 2001 to 25% in 2008. While there is no legal demand for recycling in most countries outside Europe, we have set ourselves this target to make a positive contribution to the communities we serve.

Our recycling rate currently stands at 16.2%, therefore we still have work to do to achieve our goal.

How it works

The technology for recycling beverage cartons is simple and widely available. Paper mills recycle

Tetra Pak cartons, either separately or together with other paper grades, by separating fibres from polyethylene and aluminium using a water-based process known as repulping. The virgin fibres used in Tetra Pak products are specially selected to give maximum strength and stiffness for the lowest possible weight. When recycled, these fibres provide a valuable raw material for new paper and board products. An estimated 18 billion beverage cartons made by Tetra Pak were recycled into paper by some 100 paper mills across the globe in 2004.

Indeed, this report is printed on paper containing a minimum of 80% recycled beverage cartons, manufactured at the Hurum mill in Norway.

Recovery of non-fibre components

The recovery and recycling of aluminium and polyethylene extracted during the repulping process varies from country to country. For example, in Finland, one paper mill recovers the energy in the plastic through gasification to generate steam that is used either for drying paper or producing electricity. This allows the recovery of aluminium for re-use as a raw material for industry. In Germany, repulping residues are used in cement kilns where polyethylene serves as a high-energy fuel. The aluminium is recovered as aluminium trioxide, which is an essential ingredient in cement. A technology has been developed in conjunction with partners in Brazil, to separate the plastic and aluminium into two pure fractions. This will be commissioned in 2005.

FIG 6.6 GREENHOUSE GAS EMISSIONS

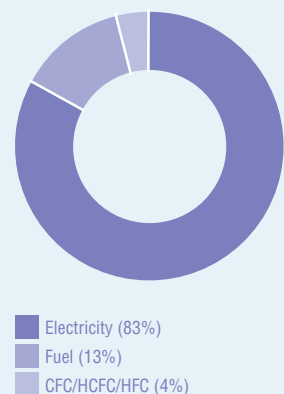
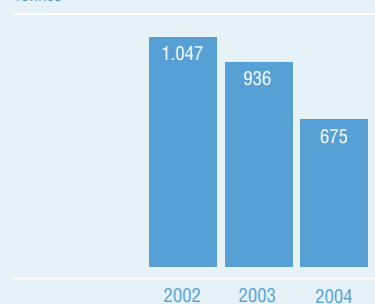


FIG 6.7 TOTAL VOC EMISSIONS
Tonnes



Case study 12

Driving collection and recycling of cartons in Belgium

Tetra Pak has long committed itself to recycling beverage cartons. In Belgium, however, beverage cartons were not a “priority” waste stream for municipalities, so Tetra Pak had to establish partnerships with collectors and recyclers, as well as manage the logistics and communications. However, Tetra Pak found itself in a Catch-22: operators did not want to collect cartons until they knew there was enough of a supply; and consumers would not recycle cartons until they knew the cartons would be collected and recycled.

As a first step, Tetra Pak launched a communications campaign to raise awareness of recycling. Information packs and items made from recycled beverage cartons were distributed door-to-door to demonstrate that cartons could usefully be recycled. Then, as there were no collection schemes for packaging, Tetra Pak established partnerships with schools, municipalities and private operators to collect the cartons for recycling. Finally, Tetra Pak worked with recyclers to accept and recycle the collected cartons. Eventually, with the creation of the Belgian recycling organisation FOST Plus, the Tetra Pak collection schemes were gradually integrated into the new FOST Plus schemes. Belgium's carton recycling rate now stands at 71%.



20-25 MJ/kg

General range of high calorific value from Tetra Pak cartons.

30 MJ/kg

Typical range of high calorific value from non-fibre polyethylene and aluminium components.

71%

Post-consumer carton recycling rate in Belgium in 2004.

Suitability for energy recovery

Tetra Pak cartons have a high calorific value, generally in the range of 20-25 MJ/kg, and are therefore suitable for energy recovery. The calorific value of the non-fibre polyethylene and aluminium components available after the fibre recycling process is typically around 30 MJ/kg. Tests have shown that Tetra Pak cartons are comparable to bio-fuels such as wood chips and bark in terms of emissions.

Environmental quality through design

Decisions made during the design of a product have a significant impact on its environmental performance throughout its lifecycle. This is why we systematically incorporate environmental considerations into our product development process using Design for the Environment (DfE) guidelines. Key aspects we look at are the use of resources, use and emissions of harmful substances, and waste management options. The most significant factor is to ensure that the packages work. Packages that leak and are damaged because of poor design result in loss of product and a waste of resources.

Product development: Tetra Recart

Tetra Recart is one of our latest innovations. This package has been developed for food which is sterilised in the pack, using the same technology as for metal cans and glass jars. This means it can be distributed and stored without refrigeration. The packs can be filled with a wide range of products, including ready-meals, chunky soups and vegetables.

In the sterilisation process the package needs to withstand high temperature and moisture. Its basic material design is similar to our other carton packages in that it is mainly made from paperboard, and contains an aluminium foil that acts as a light and oxygen barrier. The difference is the inner and outer coating of polypropylene layers, instead of polyethylene.

Tetra Brik Wide

Tetra Brik (TB) Wide is part of a global project called Tetra Wide. It aims to implement a new generation of packaging materials that provide greater security against leakage. This is due to the use of an improved plastic raw material on

TETRA RECART

Environmental considerations have been part of the development process of Tetra Recart since it started. As a result we now see the following environmental advantages with the Tetra Recart package:

- It uses a minimum of resources to protect the food
- The main material used is paperboard, which is a renewable resource
- Efficient distribution because of its lightweight and rectangular shape
- Possibility to flatten after use leads to low waste volume
- Meets the requirements of the EU Packaging and Packaging Waste Directive
- It is designed to be recyclable with other beverage carton packages



the inside of the packaging which means that the seal is superior and the packaging more tightly sealed. The package also becomes more robust against outer damage.

"The inside of the packaging material TB Wide consists of a new type of polymer", says Ingrid Leine Molde, Key Account Manager for Arla Foods – "In combination with an improved seal the new packaging material results in more tightly sealed packaging.

The properties of the plastic have been modified so that it is tougher and has a lower melting point. In terms of the environment, the new material is an improvement as the quantity of plastic on the inside of the carton could be reduced".

Tetra Pak A3/Speed filling machine

The A3/Speed machine is the first filling machine in the industry to receive a certified Environmental Product Declaration (EPD). An EPD sets out quantified, science-based and verified lifecycle information to enable fair comparison of products through their environmental performance.

More information on EPD can be found on www.environdec.com.

'The achievement of EPD pre-certification for Tetra Pak A3/Speed is an important step for us', according to Simone Pisani, Environment Manager, Tetra Pak Carton Ambient. 'With environmental issues becoming more and more of a strategic concern to customers, Tetra Pak believes it is important to take a proactive approach to setting industry standards and communicating the environmental performance of our products in a verified and standard way'.

FUTURE ACTIONS

Implementation of new Tetra Pak Environmental Policy

Implementation of new Tetra Pak forestry statement

Recycling of post-consumer beverage cartons:

- Work towards the Global Recycling Goal
- Develop collection and recycling capacities in more countries
- Develop recycling technologies

Tetra Pak operations & transport:

- Fulfill the Global Energy Goal
- Three of our market companies and one business area will pilot climate programmes in 2005. They will map their greenhouse gas emissions, and identify and initiate actions to reduce emissions
- Work with major transport suppliers to reduce greenhouse gas emissions
- Drive One Step Ahead in market companies
- Continue to drive improvements in environmental performance and management in our manufacturing operations
- Investigate options for using renewable energy in our factories

Employee engagement & internal communications:

- Hold Environment Day 2005
- Enable competence development

Environment in innovation of products:

- Drive "Design for Environment" (DfE) in product and technology development
- Strengthen the environment in product strategy and planning

For more specific information on how Tetra Pak manages environmental issues and on progress we have made, visit www.tetrapak.com/environmentalperformance

GRI CROSS-REFERENCE INDEX

The following table shows our compliance with the core indicators of the Global Reporting Initiative (GRI), as defined in the GRI Sustainability Reporting Guidelines 2002.

We show the indicators included in this report (with a page reference), our web-based Environmental Performance Report 2004 and the Tetra Laval Annual Report 2005.

Status:

- ✓ This indicator has been covered in the report
- This indicator is partly covered in the report
- X This indicator is not covered in the report
- N/A This indicator is not applicable to the business

Key:

- ER Tetra Pak Environmental Performance Report 2004 (web report at www.tetrapak.com/environmentalperformance)
- AR Tetra Laval Annual Report 2005

	Status	Location
1. Vision and strategy		
1.1 Statement of the organisation's vision and strategy regarding its contribution to sustainable development	✓	p4-5
1.2 Statement from the CEO describing key elements of the report	✓	p1
2. Profile		
2.1 Name of reporting organisation	✓	Front cover
2.2 Major products and/or services, including brands, if appropriate	✓	p8-9
2.3 Operational structure of the organisation	✓	p6-7
2.4 Description of major divisions, operating companies, subsidiaries and joint ventures	✓	p6-7
2.5 Countries in which the organisation's operations are located	✓	p6
2.6 Nature of ownership; legal form	✓	p6
2.7 Nature of markets served	✓	p6-7
2.8 Scale of the reporting organisation (including employees, products, sales and capitalisation)	✓	p7
2.9 List of stakeholders (key attributes of each and relationship to the reporting organisation)	X	
2.10 Contact person(s) for the report, including e-mail and web addresses	•	Back cover (no name)
2.11 Reporting period for the information provided	✓	Inside front cover
2.12 Date of most recent previous report	✓	Website
2.13 Boundaries of report and any specific limitations on the scope	✓	Inside front cover
2.14 Significant changes in size, structure, ownership or products/services that have occurred since the previous report	N/A	
2.15 Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that can significantly affect comparability from period to period and/or between reporting organisations	N/A	
2.16 Explanation of the nature and effect of any restatements of information provided in earlier reports, and the reasons for such restatements	✓	Where relevant
2.17 Decisions not to apply GRI principles or protocols in the preparation of the report	X	
2.18 Criteria/definitions used in any accounting for economic, environmental and social costs and benefits	X	
2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental and social information	N/A	
2.20 Policies and internal practices to enhance and provide assurances about the accuracy, completeness and reliability that can be placed on the sustainability report	X	
2.21 Policy and current practice with regard to providing independent assurance for the full report	X	
2.22 Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organisation's activities, including facility-specific information	✓	Back cover
3. Governance structure and management systems		
3.1 Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation	•	AR p17-18
3.2 Percentage of the board of directors that are independent, non-executive directors	✓	AR p15
3.3 Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities	X	
3.4 Board-level processes for overseeing the organisation's identification and management of economic, environmental and social risks and opportunities	•	AR p18
3.5 Linkage between executive compensation and achievement of the organisation's financial and non-financial goals	X	
3.6 Organisational structures and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies	•	p10
3.7 Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation	✓	p10
3.8 Mechanisms for shareholders to provide recommendations or direction to the board of directors	X	
3.9 Basis for identification and selection of major stakeholders	X	
3.10 Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group	X	
3.11 Type of information generated by stakeholder consultations	X	
3.12 Use of information resulting from stakeholder engagements	X	
3.13 Explanation of whether and how the precautionary approach or principle is addressed by the organisation	X	
3.14 Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives to which the organisation subscribes or which it endorses	✓	Inside front cover
3.15 Principal memberships in industry and business associations and/or national/international advocacy organisations	X	
3.16 Policies and/or systems for managing upstream and downstream impacts including supply chain and product stewardship	•	p32-33, 37-39 (environment only)
3.17 Reporting organisation's approach to managing indirect economic, environmental and social impacts resulting from its activities	•	p32-33 (supply chain)
3.18 Major decisions during the reporting period regarding the location of, or changes in, operations	X	
3.19 Programmes and procedures pertaining to economic, environmental and social performance. Include: priority and target setting, major programmes to improve performance, internal communication and training, performance monitoring and auditing	•	p2-5
3.20 Status of certification pertaining to economic, environmental and social management systems	✓	p18, 32 (OHSAS 18000, ISO 14001)
4. GRI content index		
4.1 A table indicating location of each element of the GRI report content, by section and indicator	✓	p40-41
5a. Economic performance indicators		
EC1 Net sales	✓	p7 + AR p6
EC2 Geographic breakdown of markets (disclose market share and sales for key markets)	X	
EC3 Cost of all goods, materials and services purchased	X	
EC4 Percentage of contracts that were paid in accordance with agreed terms	X	
EC5 Total payroll and benefits including wages, pension, other benefits and redundancy payments broken down by country or region	X	
EC6 Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	X	
EC7 Increase/decrease in retained earnings at end of period	X	
EC8 Total sum of taxes of all types paid broken down by country	X	
EC9 Subsidies received broken down by country or region	X	
EC10 Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	•	p26 (total donations)

5b. Environmental performance indicators		
EN1	Total materials use other than water, by type	✓ ER
EN2	Percentage of materials used that are wastes from sources external to the reporting organisation	X
EN3	Direct energy use segmented by primary source	✓ p35 + ER
EN4	Indirect energy use	✓ p35 + ER
EN5	Total water use	✓ ER
EN6	Location and size of land owned, leased or managed in biodiversity-rich habitats	X
EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh-water and marine environments	✓ p4, 32 + ER (sustainable forestry)
EN8	Greenhouse gas emissions	✓ p37 + ER
EN9	Use and emissions of ozone-depleting substances	✓ ER
EN10	NOx, SOx and other significant air emissions by type	• p37 + ER (VOCs only)
EN11	Total amount of waste by type and destination	✓ p36 + ER
EN12	Significant discharges to water by type	X
EN13	Significant spills of chemicals, oils and fuels in terms of total number and total volume	• ER (number, not volume)
EN14	Significant environmental impacts of principal products and services	✓ p30-49 + ER
EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	✓ p36-37 + ER
EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional and local regulations associated with environmental issues	✓ ER
5c. Social performance indicators – labour practices and decent work		
LA1	Breakdown of workforce, by region/country, employment type and employment contract	X
LA2	Net employment creation and average turnover segmented by region/country	• p7 + AR p6 (number of employees)
LA3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country	X
LA4	Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organisation's operations (e.g. restructuring)	• p17 (brief reference)
LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases	X
LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees	• p17 (proportion of workforce not covered)
LA7	Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontracted workers)	• p18 (not rates or subcontractors)
LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	X
LA9	Average hours of training per year per employee by category of employee	• p17 (some regions)
LA10	Description of equal opportunity policies or programmes as well as monitoring systems to ensure compliance and results of monitoring	✓ p14-15
LA11	Composition of senior management and corporate governance bodies including female/male ratio and other indicators of diversity as culturally appropriate	✓ p15
5d. Social performance indicators – human rights		
HR1	Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results	• p15 (brief reference)
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	X
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring	X
HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring	✓ p14-15
HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue	• p15 (policy only)
HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	• p15 (policy only)
HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	X
5e. Social performance indicators – society		
S01	Description of policies to manage impact on communities in areas affected by activities, procedures/programmes to address this issue, monitoring systems and results of monitoring	✓ p24-29
S02	Description of the policy, procedures/management systems and compliance mechanisms for organisations and employees addressing bribery and corruption	• p2, 5, 28
S03	Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions	X
5f. Social performance indicators – product responsibility		
PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring	• p9
PR2	Description of policy, procedures/management systems and compliance mechanisms related to product information and labelling	X
PR3	Description of policy, procedures/management systems and compliance mechanisms for consumer privacy	• p28

For any further questions, comments and ideas you have regarding this report please contact: info@tetrapak.com

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