

CARBON BALANCED STATEMENT

JANUARY 2009



SWISSE VITAMINS PTY LTD



BUSINESS CASE

Swisse Vitamins is a major manufacturer and supplier of vitamins and supplements to the Australian market place which prides itself on providing scientifically validated natural medicines to the Australian consumer through a sophisticated network of resellers that stock their products.

As a supplier of personal health products, the company recognises the fundamental link between a healthy environment and healthy people. Swisse Vitamins embarked on a solution that identified its impacts on global warming and educated its staff and stakeholders on its Climate Change actions.

Swisse recognize that as an early adopter to responding to climate change it was important to adopt current 'best practices' and to build capacity and understanding for how it can better adapt to, and adopt, climate mitigating practices.

Swisse identified some key criteria for their solution as being:

- ▶ Engage a third party consultant to abide by current best practices
- ▶ Calculate its GHG emissions and understand its Carbon Footprint
- ▶ Develop a response that was immediate and communicable
- ▶ Educate its staff and stakeholders
- ▶ Instigate a carbon reduction plan
- ▶ Adopt local, credible, carbon offsets
- ▶ Be transparent and share the findings with stakeholders and consumers

PUBLIC REPORTING AND VOLUNTARY INITIATIVE

This is the first attempt that Swisse Vitamins has undertaken to calculate its carbon footprint and publicly report on the outcomes. It is a voluntary initiative undertaken to assist the business in understanding its impacts and report publicly the outcomes to inform and educate its stakeholders on the journey of tackling climate change.

The recently introduced National Greenhouse Energy Reporting Act (NGER Act 2007) is designed to legislate to those companies that are significant emitters (>125 ktons CO₂e) and requires them to provide a mandatory report on their emission and take part in the government's CPRS Cap & Trade Scheme. Swisse Vitamins is well below this target and does not need to report in the government's scheme.

One of the key drivers to report publicly was to enable Swisse Vitamins to share its findings with its customers and stakeholders and encourage transparency and accountability. By engaging a third party (Carbon Balance Consulting) to audit, educate and source carbon offsets, it ensured the project adhered to the current best practices for 'carbon neutral' solutions and avoided any concerns over 'greenwashing'.

CARBON BALANCED (NEUTRAL)

The term 'Carbon Balanced' is akin to Carbon Neutral but expresses it in a way that embraces a more realistic and holistic approach to the process. Our definition of Carbon Balanced is that the organisation has been audited on its Greenhouse Gas emissions and calculated its carbon footprint in tones of CO₂-e. This amount has been reduced, where possible, and the residual amount has then been balanced by the purchase of accredited carbon offsets.

The carbon footprint is described as the total amount of CO₂ and other greenhouse gas emissions for which an individual product or service or organisation is responsible for.

"Swisse has balanced its emission with its reductions and offsets to produce a 'zero net emissions'"

AUDIT METHODOLOGY AND FACTORS

The audit methodology applied complies with the GHG Protocol: A Corporate Accounting and Reporting Standard developed by the World Resources Institute & World Business Council for Sustainable Development.

The factors used have been sourced from the NGA Factors and Methodology Workbook 2008 Department of Climate Change and the Balancing Act report by CSIRO & University of Sydney 2005.

EMISSION AUDIT PERIOD

The audit date period covers all emission generated within the 07/08 financial year.

DESCRIPTION OF ORGANISATION AND ITS BOUNDARIES

Swisse Vitamins Pty Ltd has been established since the 1950's and prides itself on providing scientifically validated natural medicines to consumers in Australia.

The head office and distribution outlet is based in Melbourne with the manufacturing operations conducted in Sydney.

Swisse distribute throughout Australia to retail groups who sell Swisse products directly to consumers. A Swisse mobile sales team operate nationally, by means of company supported vehicles.

REPORTING BOUNDARIES

Included in the audit:

- ▶ Operational emission from manufacturing.
- ▶ All transportation of goods from manufacturer to reseller.
- ▶ Staff commute and air flights
- ▶ Energy and waste associated with operations.
- ▶ Marketing of goods
- ▶ Non recyclable waste from packaging.

Not included

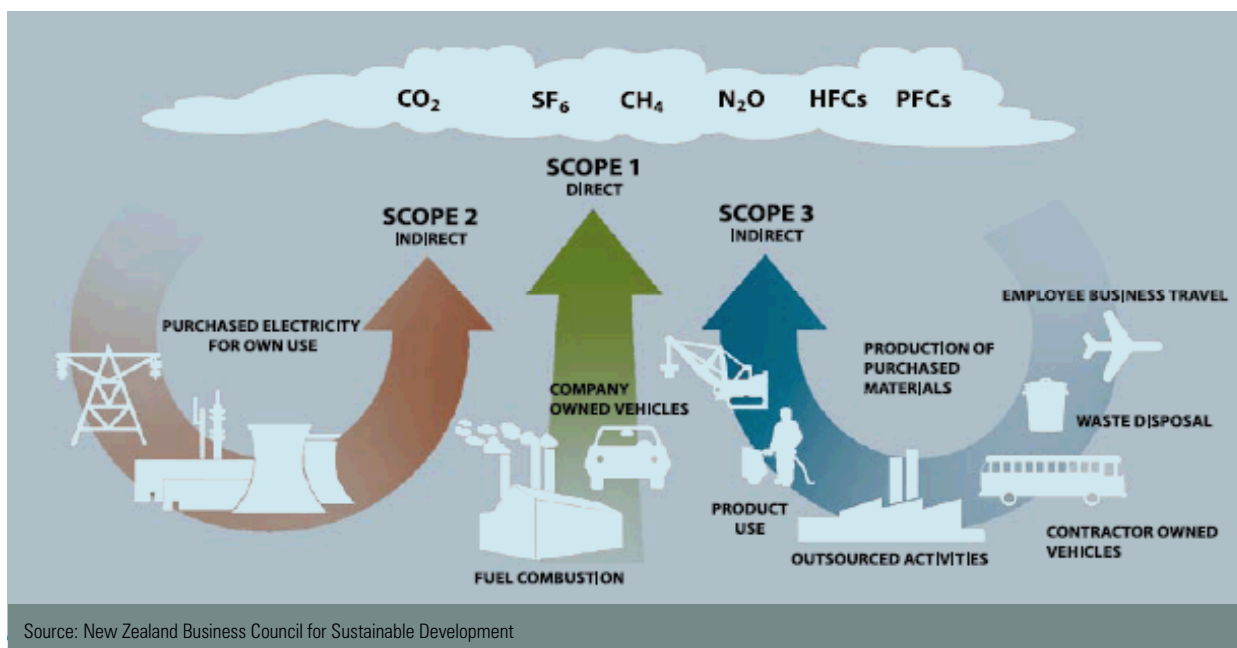
- ▶ Resellers emissions once on the shelves
- ▶ Recyclable packaging
- ▶ Raw materials prior to manufacturing

ASSUMPTIONS, EXCLUSIONS AND JUSTIFICATION

- ▶ All data supplied by Swisse was taken on face value and the veracity was not questioned
- ▶ A percentage of emissions from the manufacturing was calculated using an equity share approach
- ▶ An additional 50 tonnes of Offsets was purchased to cover an uncertainty factor of 5%
- ▶ Domestic & international flights factors included the Flight Radiative Index (FRI)*
- ▶ It was assumed that all recyclable waste was recycled by consumers.
- ▶ Lifecycle analysis of material inputs was considered too difficult and too uncertain to include.

**Flight Radiative Index: This factor was included as it reflected the true 'gross' effect of releasing harmful gases into the stratosphere. It is known that the release of these gases into the atmosphere has other effects which contribute to global warming but are not easily measured. We have adopted an industry standard factor of 2.7 times from the IPCC.*

- ▶ www.grida.no/climate/ipcc/aviation/064.htm



EMISSIONS CONTAINED IN THE AUDIT

The audit objective was to include within its boundary all operational emissions identified in the manufacturing, business operations, distributions and marketing that were both directly and indirectly identified as responsible to Swisse.

Emissions included in audit include following processors:

Emissions included	
Production, processing and acquisition of raw material	No
Manufacturing, production and assembly	Yes
Operation of business premises	Yes
Distribution and Transportation to reseller chain	Yes
Waste of non recycled product & packaging (grave)	Yes
Warehousing Sales & Marketing	Yes

As outlined by the GHG Protocol we chose to report emissions using the Scope 1,2 & 3 reporting guidelines and include all significant emissions (>3%) in the inventory. For the purposes of this audit we did not look at the

complete Lifecycle analysis of any inputs in acquisition of materials and processing (cradle) as the task required detailed analysis of supply chains from many oversea sources that had little, or no, carbon accountability and was deemed too uncertain and too complex within the timeframe. It is the intention of management to include more understanding of its lifecycle inputs in future reports as they come to hand.

Included are the Lifecycle waste outputs of emissions associated from packaging identified by the National Waste Covenant that was not recyclable that went to landfill. Swiss's packaging uses 60% recycled material and it is assumed that consumer disposal of recyclable material did not contribute to landfill emissions.

As defined by the GHG Protocol, the emission have been categorised in the following scopes.

Scope 1 covers **direct emissions** from sources within the boundary of an organisation such as fuel combustion and manufacturing processes.

Swisse Scope 1 inclusions

- ▶ Petrol for Vehicles
- ▶ Diesel for Vehicles
- ▶ Refrigerant Leakage
- ▶ Natural Gas (Vic)
- ▶ Natural Gas (NSW)

Scope 2 covers **indirect emissions** from the consumption of **purchased electricity, steam or heat** produced by another organisation. Scope 2 emissions result from the combustion of fuel to generate the electricity, steam or heat and do not include emissions associated with the production of fuel

Swisse Scope 2 Inclusions

- ▶ Electricity (Vic)
- ▶ Electricity (NSW)

Scope 3 includes all **other indirect emissions** that are a consequence of an organisation's activities but are not from sources owned or controlled by the organisation.

The department of Climate Change policy and international minimum standards stipulate that inclusion of Scope 3 emission is optional for reporting entities. Swisse has included a comprehensive list of scope 3 emission based on a criteria of those emissions that are of relevance, measurable and 'of significance' (>1%).

Swisse Scope 3 Inclusions

- ▶ Waste related emission (VIC & NSW)
- ▶ Domestic & International Flights
- ▶ Employee commute
- ▶ Contractors transport to resellers
- ▶ Advertising Brochures & marketing
- ▶ Allowance for non captured emissions
- ▶ Electricity extraction, production, transport & distribution line loss
- ▶ Petrol extraction, production & transport loss
- ▶ Diesel extraction, production and transport loss
- ▶ Gas extraction, production and transport loss

EMISSION REDUCTION STRATEGIES

Purchasing Green electricity

Swisse has committed to purchasing 100% Green electricity from Origin energy for all its operational emissions from its head offices and warehouse. This is expected to provide an annual saving of 121.9 tonnes CO₂-e per annum (11.1 %). This saving will be reflected on next inventory report.

Energy audit

An energy audit of existing building and operational procedures will be carried out in 2009 by a recognised energy auditor. The results will be assessed and those viable will be implemented.

Staff engagement

Swisse management felt it important to include the emissions from staff commuting and have also provided up to 40 six-packs of CFL (Compact Fluorescent Light globes) to provide to its staff for their personal usage at home. It is estimated that each CFL light globe over the life of its use will reduce up to .9 tonnes per globe resulting in a savings of up to 216 tonnes of greenhouse gas emissions external to the company.

Swisse have also introduced climate change training and have established an internal team for carbon reduction initiatives.

CARBON OFFSET STRATEGY

Swisse view the purchase of carbon offsets as an important element of the solution and approach it as an active way of investing in a service or action that results in an environmental benefit and helps to abate climate change. The minimum criteria used to assess a range of offsets included the following:

- ▶ Must be government approved
- ▶ Offsets occur in Australia
- ▶ Have co-benefits
- ▶ Energy efficiency projects or bio-sequestration.
- ▶ Kyoto compliant standards.

It was decided to create a portfolio of offsets tailored to the organisation's needs and desire to promote activities and events that were important to staff and that its consumers could relate to.

Energy Efficient CFL's (Department of Climate Change – 'Greenhouse Friendly' approved)

Recognising that energy efficiency is crucial to a more sustainable world, Swisse purchased 550 tonnes of demand side abatement offsets generated from the LESS project (Low Energy Supplies & Services). This project provides energy efficient CFL (Compact Fluorescent Lightglobes) for residents for free to their homes in return for the abatement rights. Given that electricity generated from coal fired power stations is the worst contributor to greenhouse gases in Australia, these energy efficient light globes help diminish the dependence on electricity for homes in the Stonnington, Glen Eira, Kingston and Yarra regions of Melbourne.

These projects also assist those home owners by reducing their electricity bills by as much as 80% on their lighting costs.

- ▶ www.livegreen.com.au
- ▶ www.climatechange.gov.au/greenhousefriendly/abatement/projects.html

Carbon Sequestration – Forestry (NSW Greenhouse Gas Abatement Scheme)

Forest store or sequester carbon through the process of photosynthesis is one of the few 'carbon sinks' that actually removes carbon from the atmosphere. Swisse support the forestry offsets as an important element in providing a natural solution to climate change that also contributes to regenerating much of our natural environment and also aides in habitat creation.

There has been some concern over the legitimacy of some forestry credits mainly due to a lack of standards and this is why Swisse chose government approved offsets for its forestry credits.

For a forest to be eligible to create abatement certificates in GGAS, it must meet the definition of afforestation or reforestation that is specified by the United Nations Framework Convention on Climate Change. The activity must take place on Kyoto-Consistent Land, that is, land that was predominantly non-forest prior to 1 January 1990. Only sequestration

that takes place after 1 January 2003 may be accounted for and eligible to create abatement certificates under GGAS.

There is a one hundred year minimum level of permanency required under the Regulation for continued storage of carbon.

► www.greenhousegas.nsw.gov.au/acp/forestry.asp



"Here at Swisse we realise that Climate Change is one of the biggest issues facing our world today!

Swisse is about the 4P's putting People Principles Passion before Profits and making people healthier and happier - so our motivation to make changes that will have a positive effect on our natural environment extends beyond corporate responsibility, it is our companies DNA to ensure not only corporate, but social responsibility is met.

Decades of commitment to providing premium natural health products to help the world feel healthier and happier makes for an intrinsic extension to our team's pledge to make the world a healthier and happier place too.

So, we've been making changes, big and small, to the way we do business and to the way that our Swisse team lives and breathes daily because we know that every little bit counts!

By supporting Swisse you too can make a difference! Join us on our 'Carbon Balanced' journey as we continue to make efficient and effective changes to decrease our carbon footprint over the coming years.

The Swisse team encourages all of our loyal customers to do their bit to save the environment too

CLED! ("Celebrate Life Every Day!" That's the Swisse Team Spirit!)"

*Radek Sali
Swisse CEO*

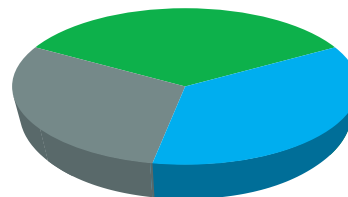
GHG INVENTORY

Client

Swisse Vitamins Pty Ltd

Audit Date

July 07 - June 08



Emission Sources	Consumption	Consumption Units	C02-e (tonnes)#	% of Total Emissions
Direct emissions (Scope 1)			293.6	26.8
Petrol for Vehicles	39.77	Kl	91.5	8.3
Automotive Diesel Oil for Vehicles	1.10	Kl	3.0	0.3
Refrigerant Leakage	15.52	kg	1.9	0.2
Natural Gas (Vic)	171	GJ	8.8	0.8
Natural Gas (NSW)	2,852	GJ	188.5	17.2
Indirect Emissions (Scope 2)			440.2	40.2
ELECTRICITY (Vic) Combined Office, Depot & Leased Premises	93,769	kWh	114.4	10.4
ELECTRICITY (NSW) Combined Office, Depot & Leased Premises	366,067	kWh	325.8	29.7
Optional emissions included (Scope 3)			362.0	33.0
Emissions from Electricity extraction, production transport & distrib. line loss.	Vic		7.5	0.7
Emissions from Petrol extraction, production & transport	--		8.0	0.7
Emissions from Electricity extraction, production transport & distrib. line loss.	NSW		66.6	6.1
Emissions from Automotive Diesel Oil extraction, production & transport	--		0.2	0.0
Emissions from Gas extractions, production & transport	Vic & NSW		1.0	0.1
Waste Related Emissions (VIC)	4.80	Tonnes	4.4	0.4
Waste Related Emissions (NSW)	49.12	Tonnes	44.1	4.0
Advertising Brochures & Billboards	-	\$	125.9	11.5
Domestic Flights	75,920	km's	24.5	2.2
International Flights	53,062	km's	15.8	1.4
Employee Travel	203,040	km's	54.0	4.9
Contractors Transport	11,875	km's	10.1	0.9
Totals Scope 1 + 2 + 3			1,095.8	100
Offsets Purchased			-1150.00	100.9
CFL Energy Efficient Abatement			600	54.8
Forestry NGAC's			550	50.2
Reduction Measures			0.0	0.0
100% Green Electricity (2009)			-121.5	11.1
Net Emissions			-54.2	0

*Inventory was developed in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards (GHG Protocol) developed by the World Resource Institute (WRI). The factors have been sourced from the NGA Factors Workbook 2008. # Figures may not sum due to rounding. Flight emission factors correspond to the short, medium, and long standards on the GHG Protocol website business travel tool. (Inc 2.7 Radiative factor). \$ Direct Factor from Sydney University & CSIRO Triple Bottom Line report 2005 (direct).