



Australian Food and Grocery Council
TOWARDS SUSTAINABILITY
2007-08



one voice - adding value

*...a world class
food and
grocery industry
that can
sustainably grow
locally and
internationally.*



COVERAGE

The environmental and social performance data reported in this report is based on a survey conducted by the Australian Food and Grocery Council (AFGC) of its members' performance across the 2007-08 financial reporting period. Thirty-five member companies provided data for this report; these members have a combined annual turnover of more than \$36 billion. This represents approximately 50 per cent of AFGC's members, based on the total annual turnover of all AFGC members for the 2007-08 financial year. The sustainability performance of these 35 members provides a representative sample of AFGC members and broadly indicates the performance of Australia's food and grocery industry as a whole.

PREFACE

AFGC is the national body representing Australia's food and grocery product manufacturers. The food and grocery products industry is Australia's largest manufacturing sector, employing more than 315,000 Australians and contributing around four per cent to gross domestic product (GDP).

Our mandate is to facilitate the growth of a world class food and grocery industry that can sustainably grow locally and internationally.

The role of AFGC is to help shape a business environment that encourages the food and grocery manufacturing industry to grow and remain profitable. Innovation in sustainability performance is considered to be fundamental to this.

FOREWORD



Knowledge and leadership in best practice is critical...

AFGC CHAIRMAN'S MESSAGE

Geoff Starr, CEO, George Weston Foods

Business today is facing a new corporate mindset and sustainability is now a central part of our operations. It forms part of a new value chain that offers opportunities throughout the food and grocery industry. Most of the resources used to manufacture and supply food and grocery items are finite. Recognition of this is challenging us to re-evaluate what we are using. More importantly we must continue to explore opportunities to reduce waste and identify ways in which sustainability can add value. In turn, this will leverage the flow-on effects for retailers and consumers.

As we move forward, some of the opportunities for the manufacturing sector will be increasingly found by working more closely in collaboration with retailers and our suppliers. Knowledge and leadership in best practice is critical, and industry forums are one way we can collectively tackle the critical issues and opportunities. Most AFGC member companies are developing strategies and are building up resources within their organisations to meet sustainability challenges. The value of being part of AFGC is that it provides a forum to share experience and knowledge.

Better reporting can act as a catalyst for collaboration and can only add value across the industry. This *Towards Sustainability* report is the first step.

While addressing sustainability from an industry perspective involves a complex set of drivers and responses, AFGC believes that a coordinated, cooperative effort involving all aspects of the supply chain, including producers, manufactures, retailers, community and government regulators, is needed to effectively address sustainability challenges.



...through open communication flows we can identify ways to improve efficiency across the board.

AFGC CHIEF EXECUTIVE'S MESSAGE

Kate Carnell, AO

The Australian food and grocery manufacturing industry has a market opportunity to be seen internationally as a green, clean and safe – setting ourselves apart from international competitors. AFGC members and the Sustainable Practices Committee are working on just that, and we can see our success of this work in this report.

Towards sustainability means our industry is part of a journey in the way we do business. We are constantly looking at ways to be more efficient with water, energy and waste, and to improve the local communities we work within.

The tough economic times coupled with the threat of climate change and depleting natural resources means we face new challenges. Water and energy costs are rising, and agricultural productivity is going to be increasingly unpredictable. Getting the balance right is crucial for industry.

AFGC's key value in influencing sustainability for the food and grocery manufacturing industry is in sharing best-practice. All of our members are at different stages of engagement on their sustainability journey, but through open communication flows we can identify ways to improve efficiency across the board. By using the international reporting standard, the Global Reporting Initiative (GRI), in this report is one way we can ascertain which stage of this journey the industry is at and areas we can work on.

We look forward to progressing along our sustainability journey and uniting on the path to a sustainable supply chain; producing green, clean and safe food and grocery products for many more years to come.



SUSTAINABLE PRACTICES COMMITTEE CHAIRMAN'S MESSAGE

Rob Robson, CEO, One Harvest

Sustainability is a critical component of my business and I know that my industry peers share this view. While we might understand the technical definition of sustainability, in practice it remains complex and there are very few simple solutions. There are many trade-offs between environment, social and economic issues but to be truly sustainable the three pillars must be considered in full.

Sustainability reporting plays an important role in furthering cooperation between industry, government and consumers. This *Towards Sustainability* report enables AFGC to document examples of good performance, identify areas for improvement and consider key sustainability issues affecting the food and grocery sector. It also provides a level of direction, pointing out what some companies have done and highlights global standards that focus on improved sustainability practices.

To be sustainable we must remain profitable. We can make improvements and efficiencies by maintaining competitiveness. By devoting greater resources to the areas of environment, social and economic issues we as an industry will be better able to determine the real impact we are having and identify opportunities for further improvement.

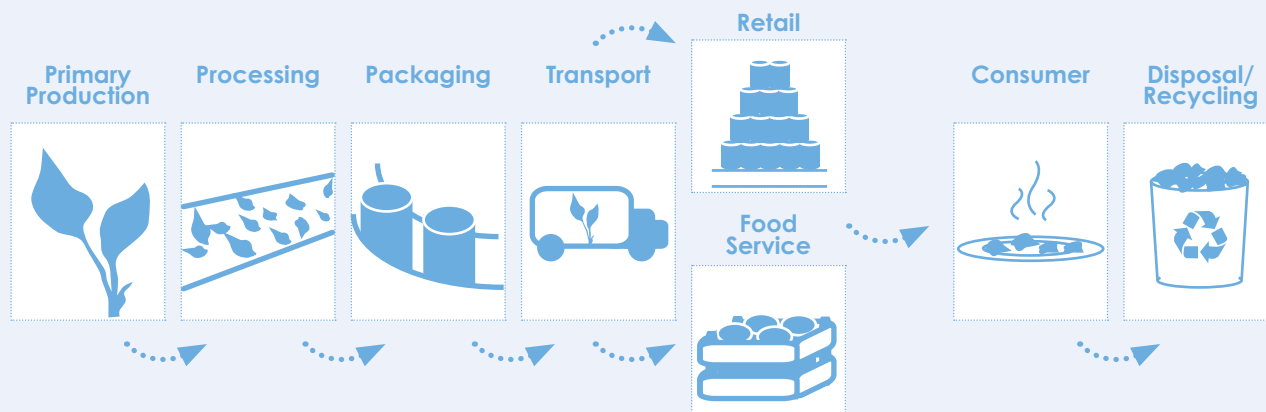
This report is the distillation of the efforts of many AFGC members. I thank them for their continued efforts.

While we might understand the technical definition of sustainability, in practice it remains complex ...

CONTENTS

Foreword	4
Introduction	8
Sustainability at AFGC	9
Sustainability Reporting Spotlight	11
Industry Performance - Case Studies	13
Future Directions	41

Processed Food Supply Chain



INTRODUCTION

The food and grocery industry connects with every person in some way, many times a day – it employs more than 315,000 Australians and exports \$24.7 billion worth of food and grocery products every year. To remain profitable, the industry is constantly required to adapt to the changing nature of the local and global marketplace, changing community expectations and a changing climate.

While sustainability is not an easy task given the scale and complexity of the issues involved, responsible and effective management of environmental, social and economic performance is fundamental to the continued growth of Australia's food and grocery manufacturing industry.

Entitled *Towards Sustainability*, this report documents our member companies' performance across a range of environmental and social indicators and presents best practice case studies of member companies' innovative approaches to a range of sustainability challenges. Environmental and social key performance data is provided for the 2007-08 year.

We view this *Towards Sustainability* report as part of the beginning of a long-term sustainability journey, for both our members and the industry.

This report also provides a snapshot of the growth made in sustainability reporting internationally, as a means of progressing the industry to a more systematic approach to measurement and reporting of sustainability performance. It is our intention to guide our members towards a standardised sustainability reporting methodology to include social and environmental information, based on the Global Reporting Initiative (GRI) Sustainability Reporting Framework.

*** Please note:** *The GRI Guidelines are available to download from the website at: www.globalreporting.org/ReportingFramework/G3Guidelines/*

By sharing initiatives in sustainability innovation, we hope to inspire more ambitious sustainability targets across the Australian food and grocery industry and set new standards for performance. The performance of AFGC member companies documented in this report represents 50 per cent of AFGC's members (based on the total annual turnover of all AFGC members). A full list of AFGC members can be found on the inside back cover of this document.

Australian food and grocery manufacturing industry subsectors

The food and grocery product industry subsectors¹ are:

- Meat and meat product manufacture
- Dairy product manufacture
- Fruit and vegetable processing
- Oils and fats manufacture
- Flour milling and cereal foods manufacture
- Bakery product manufacture
- Other foods manufacture (sugar, confectionary, seafood and pet food)
- Beverage manufacture
- Paper and product manufacture
- Medicinal and pharmaceutical manufacture
- Home and personal care products (plastics, soaps and detergents, toilets and cosmetics).

¹ The food and grocery product industry subsectors are defined by the Australia New Zealand Standard Industrial Classification (ANZSIC) system used by the Australian Bureau of Statistics.

SUSTAINABILITY AT AFGC

...a long-term sustainability journey for the industry.



Sustainability Practices Committee

The Sustainable Practices Committee is made up of representatives from across our membership with a vast array of experience from environmental management to corporate affairs and quality control. The core issues for the committee include:

- Water - availability and efficiency
- Waste – resource efficiency
- Energy – climate change and greenhouse gas emissions
- Social – ethical sourcing and corporate responsibility

In feedback received from members, AFGC's most important sustainability services are seen to be performance benchmarking and the provision of information exchange opportunities. This report forms one of our key documents to benchmark the environmental and social performance of the Australian food and grocery industry.

Packaging Stewardship Forum

Established in May 2006 as a forum of the AFGC, the Packaging Stewardship Forum (PSF) acts as a delivery agent for industry recycling, resource recovery, litter reduction and education initiatives on behalf of its members, the major brand owners and suppliers of packaging within the beverage sector.

The PSF's members include Amcor, Bundaberg Brewed Drinks, Coca-Cola Amatil, Fosters, Golden Circle, Lion Nathan, Owens-Illinois, Schweppes and Visy. Members' commitments to the Forum are over and above their commitments to the National Packaging Covenant.

The PSF runs a range of programs to provide support to increase recycling and reduce litter arising from members' packaging products. Programs focus on sites and venues where members' products are consumed and where intervention can have the greatest opportunity to recover/reduce litter.



AFGC'S SUSTAINABLE DEVELOPMENT PRINCIPLES

The Australian Food and Grocery Council is committed to developing sustainable and socially responsible systems for the production and consumption of products, ensuring what we provide is safe and healthy for consumers, investing in our local communities, engaging effectively and responsibly with our customers and creating wealth and employment in the Australian economy.

AFGC encourages member companies to meet this commitment by:

- Designing, operating and maintaining processes and plants which optimise the use of all resources whilst ensuring that unavoidable wastes are recovered, reused or disposed of in an economically sustainable and environmentally responsible manner
- Minimising site emissions including odour, noise, air and water
- Using and developing packaging and distribution systems that reduce demands on natural resources, whilst preserving product quality, safety and packaging functionality
- Ensuring all product labelling is accurate, not misleading and capable of substantiation
- Working with suppliers and other business partners in the supply chain to measure environmental impacts
- Encouraging a culture of environmental awareness among employees.

AFGC SECRETARIAT ENVIRONMENTAL FOOTPRINT

In line with our commitment to promote improved sustainability reporting in the food and grocery industry, AFGC has begun to measure and report its own environmental footprint for its office based in Canberra. This is summarised in the table below.

We are committed to reducing our environmental impact in the future. Some of the initiatives we have planned to enable us to achieve energy and greenhouse savings include:

- Replacing approximately 20 PCs with Wise terminals, which will use 85 per cent less power than an equivalent PC with a monitor
- Completing an energy audit and actioning the recommendations as part of our planned office refurbishment.

AFGC'S ENVIRONMENTAL FOOTPRINT 2007-08

Environmental Impact	Usage	Total Footprint	Footprint per full-time equivalent (FTE)
Electricity consumption	36,505 kWh/ 131.4 GJ	38.7 tonnes CO ₂ -e	1.9 tonnesCO ₂ -e/ FTE 6.6 GJ/ FTE
Water use	266 kL	266 kL	13.3 kL/ FTE
Total office paper purchased	830 kg	830 kg	41.5 kg/ FTE

SUSTAINABILITY REPORTING SPOTLIGHT

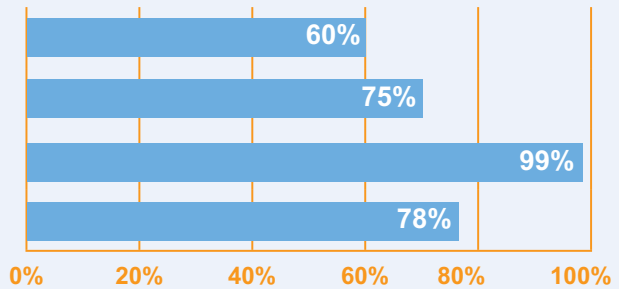
GLOBAL SNAPSHOT OF SUSTAINABILITY REPORTING

Australia (AFGC Member Companies)

Australia (Top 100 Companies)

UK (Top 100 Companies)

USA (Top 100 Companies)



Source: KPMG International, 2008. International Survey of Corporate Responsibility Reporting in 2008, Netherlands.

Figure 1

Members have identified that gaining organisational buy-in is the greatest challenge when developing a sustainability strategy, followed by developing policies and identifying and prioritising issues.

A sustainability reporting process can provide a company with a framework for prioritising material issues, developing performance indicators, setting targets to track performance and as a tool for communication with a range of stakeholders.

Heightened environmental awareness, increasing consumer consciousness and government regulation are placing new expectations on companies to take into consideration and report on the broader impacts of the business on the environment, society and the economy.

In Australia, the number of top 100 companies publishing a sustainability report has doubled since 2005, with approximately 70 per cent now reporting².

This trend is replicated internationally with 78 per cent of the top 100 companies in the USA, and 99 per cent in the UK publishing a sustainability report in 2008³ (see Figure 1). While impacts on the food and grocery industry are many and varied, themes commonly reported included sustainable sourcing and supply chains, transportation, packaging, environmental performance, advertising and marketing.

² KPMG International, 2008. International Survey of Corporate Responsibility Reporting in 2008, Netherlands.

³ Ibid.



The application of the Nestlé Environmental Policy throughout our operations forms an essential part of the Nestlé corporate business principles and enables us to contribute to sustainable development. In short, we seek to find ways to meet the needs of the present, without compromising the ability of future generations to meet their needs.

David McDowell,
Safety, Health and Environment Coordinator, Nestle
Member, Sustainable Practices Committee



Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) Sustainability Reporting Framework, also known as the G3 Guidelines, is the world's most widely used framework for reporting non-financial performance. This framework sets out the principles and indicators that organisations can use to measure, report and benchmark their economic, environmental and social performance.

The GRI's vision is that reporting on economic, environmental and social performance by all organisations becomes as routine and comparable as financial reporting.

It is AFGC's intention to guide our members towards utilising the GRI sustainability reporting methodology. Throughout this report, examples of performance indicators from the G3 Guidelines have been highlighted to assist member companies to improve their capacity to report. AFGC will continue to monitor trends and

developments in sustainability reporting locally and globally, and will assist member companies to meet best practice.

Below is the key for the breakout boxes on indicator examples from the Global Reporting Initiative Sustainability Reporting Guidelines found throughout the report.

KEY

GRI G3 = Global Reporting Initiative Sustainability Reporting Guidelines 2006.

Core Indicators = Indicators considered to be of most interest to most stakeholders and assumed to be material to the organisation, unless deemed otherwise by the organisation based on materiality and completeness.

Additional Indicators = Indicators that represent emerging practice or address topics that may be material to some organisation but generally for the majority.

The below acronyms are used for the GRI G3 indicator reference numbers provided:

- EN** = Environment
- EC** = Economy
- LA** = Labour
- SO** = Society
- PR** = Product Responsibility

INDUSTRY PERFORMANCE



AFGC compiled this report on behalf of its members to:

- report on the performance of the food and grocery industry across a number of sustainability aspects
- provide a level of benchmarking
- provide guidance on a systemic approach to measurement and reporting that will result in accurate and useful information.

The content of this report is based on a survey conducted by AFGC of its members' performance in the 2007-08 financial reporting period across a number of sustainability aspects, including:

- Water use
- Energy use
- Scope 1 and 2 greenhouse gas emissions
- Waste and recycling
- Sustainability investment
- Occupational health and safety
- Green marketing
- Supplier screening.

GRI performance indicator examples from the G3 Guidelines are included at the end of each subsection to assist our members to set up systems for future reporting in line with the GRI sustainability reporting methodology.

Indicators of environmental performance

Subsector averages are provided for each of the indicators of environmental sustainability performance per the relative amount of resources used per tonne of finished product. This enables a practical comparison given the variable nature of manufacturing operations across the different subsectors and within member companies' processes. Average environmental performance of AFGC members as a group were not included, except for waste and recycling performance.



We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Jon Biddle,
Business Optimisation Director,
Johnson & Johnson Pacific
Member, Sustainable Practices Committee



WATER

WATER

During the 2007-08 period, the vast majority of Australia continued to experience decade-long drought conditions and resulting water shortages. For this reason, industry water use tends to be an issue of great interest to the community as a whole and water use efficiency continues to be a critical focal area for the industry.

Total annual water consumed by AFGC members completing the 2007-08 survey totalled approximately 33,000 ML. This is approximately equivalent to 13,200 Olympic-sized swimming pools, or 1.4 per cent of the total agricultural water consumed by dairy farms in Australia in 2004-05¹.

In 2007-08 water consumption across the 10 subsectors ranged from 0.43 L/kg of product for the home and personal care product subsector to 41.07 L/kg of product for the paper and paper products subsector (see Figure 2).

¹ Australian Government National Land and Water Resources Unit 2008, Signposts for Australian Agriculture – The Australian Dairy Industry. Accessed online at lwa.gov.au/files/products/national-land-and-water-resources-audit/pn21912/pn21912.pdf

AFGC, Woolworths and the Department of Agriculture Fishery and Forestry (DAFF) co-sponsored CSIRO to undertake research reviewing the status and opportunities for water efficiency and recycling by Australian food processors, manufacturers and allied grocery products industries. Considerations included economic feasibility, government and water authority regulations, public health, public perception, food quality and environmental health.

Key findings of the report included:

- The industry water use is estimated at 215 GL per annum, which equates to one per cent of Australian water use (agriculture being 66 per cent)
- Water used in food processing typically represents around one tenth of household water use
- The industry utilises a variety of sources of water, with the majority coming from town water supply, but also directly from local rivers, storm water and water recovered as condensate from product (i.e. milk)
- Generally very little of the annual water consumption of food companies is added to food products with the greatest consumption involved with food contact cleaning regimes
- Water use in food processing accounts for more than 30 per cent of the water used in manufacturing in NSW, Vic and Qld
- The low price of fresh water against the cost of water treatment technologies is the greatest impediment to implementation of reuse strategies by industry

Total water consumed by AFGC members completing the 2007-08 survey totalled approximately 33,000 ML.

SUBSECTOR WATER USE (L/KG FINISHED PRODUCT)

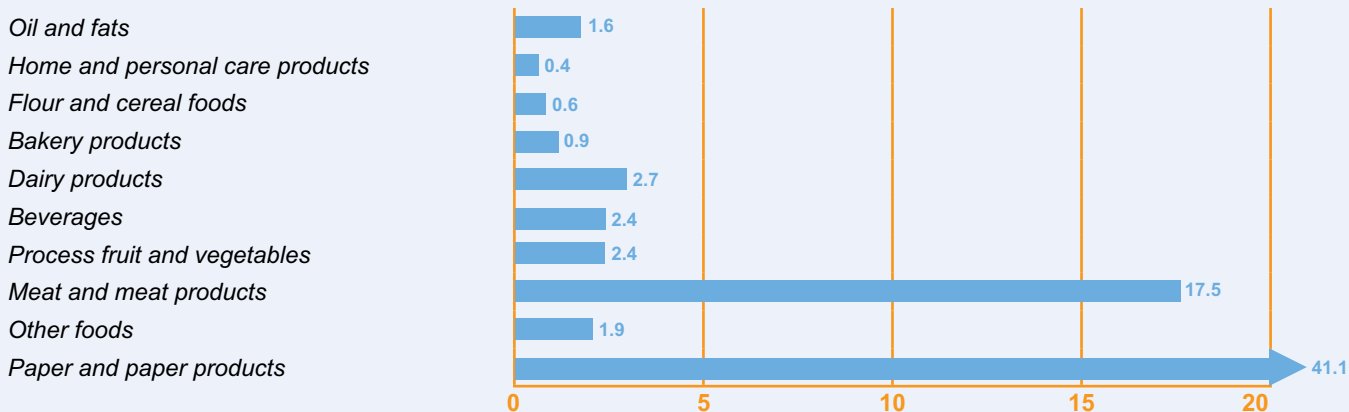


Figure 2

- The other prominent issue amongst industry respondents was the possible risk – either real or perceived – to the reputation, quality and safety of food products associated with use of recycled water
- The industry can apply water treatment technologies to purify and reuse wastewater produced on site. There are numerous examples of wastewater treatment processes designed for specific food and grocery processing operations
- Almost two thirds (63 per cent) of industry surveyed had completed some form of water efficiency measure
- A range of collaborative and cooperative initiatives between industry and government should be implemented such as recognition or reward scheme for sectors or companies which achieve water reuse or recycling targets, improved R&D funding to investigate improved technology innovations.

The report is available on the AFGC website - www.afgc.org.au

CASE STUDY:

KRAFT FOODS

Committed to reducing its impact across energy, water and waste.



Kraft Global has committed to reducing consumption, with the following goals to be achieved by 2011⁴:

- Reduce energy use and energy-related carbon dioxide emissions by 25-35 per cent
- Reduce manufacturing waste by 15-20 per cent
- Reduce manufacturing water usage by 15-20 per cent.

Kraft ANZ has consolidated the world's manufacturing of Vegemite to the Port Melbourne manufacturing site.

By doing so, Kraft achieved substantial savings in water use, wastewater generation, energy consumption and CO₂ emissions across its Australia/New Zealand (ANZ) operations.

Due to this in-depth and innovative re-development of the Vegemite process, Kraft expects to achieve by end-of-2009:

- Wastewater reductions of over 65 per cent
- Energy consumption reductions of over 52 per cent
- Environmental savings of over \$1 million.

In 2007, Kraft ANZ undertook a Cleaner Production Study, partnering with South East Water (SEW) and EPA Victoria to identify further resource efficiency opportunities.

One of the opportunities was the Waste Water Recycling initiative in partnership with the Westgate Freeway Alliance Group, completed in 2008.

This project saw Kraft ANZ supply the initiative with wastewater from the Vegemite manufacturing process, equating to approximately 10 million litres per year, for road compaction and dust suppression. Prior to Kraft ANZ's involvement, the Group were using solely potable water.

This mass water re-use project will enable the exploration of a number of similar government road initiatives and local park/garden water re-use projects (e.g. City of Melbourne, Parks Victoria and local sporting clubs).

⁴ 2005 is used as a base year

Please look out for the following breakout boxes, listing relevant GRI performance indicator guidance, at the end of each sub-section. These guides are provided for the benefit of members, to assist them to set up systems for future reporting in line with the GRI sustainability reporting methodology. We hope that this guidance will help our members to improve their reporting of their sustainability performance.

GRI Performance Indicators - Water Use



Core Indicators:

Total water withdrawal by source (EN8)

Do you have a baseline figure for calculations relating to water efficiency?

Do you know the scale for potential impacts and risks associated with your organisation's water use?

Step-by-step guide for compilation:

1. Sum all water drawn (including surface water, ground water, rain water and municipal water supply) for any use during the course of the reporting period.
2. Report total volume in cubic meters per year (m³/year) as a total and breakdown by source.

Data sources:

Use water meters, water bills, and calculations derived from other available data.

Total water discharge by quality and destination (EN21)

Do you have a complete understanding of the organisation's potential ecological impacts and operational costs?

Step-by-step guide for compilation:

1. Identify of planned and unplanned water discharges during the reporting period, how the discharges were treated and any costs associated.
2. Report the total volume of planned and unplanned discharges in cubic meters per year (m³/year) by destination, treatment method and indicate whether it was reused by any other organisation.

Data sources:

Use data taken from flow meters and regulatory permits. If any discharges were not metered, this figure can be estimated.



GRI Performance Indicators - Water Use

Additional Indicators: **Water sources significantly affected by withdrawal of water (EN9)**
Do you know the potential scale of impacts associated with your organisation's significant withdrawals of water?
Do you know the stability of your organisation's water sources?

Step-by-step guide for compilation:

1. Identify your organisations significant withdrawals where significant withdrawals are defined as those that account for an average of five per cent or more of the average annual volume of the given body of water, or sites that are considered sensitive including RAMSAR wetlands, and other rare, threatened or endangered system.
2. Report the total number of significantly affected water sources indicating size of water source in cubic meters (m³); whether the source is designated as a protected area and its biodiversity value (e.g. species diversity and number of protected species).

Data sources:
 Local or national water-related government departments or research reports such as environmental impact assessments.

Percentage and total volume of water recycled and reused (EN10)
Do you have a clear picture of the organisation's success in reducing total water withdrawal and discharge?
Do you know the efficiency of your organisation's water use through reuse and recycling programs?

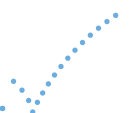
Step-by-step guide for compilation:

1. Calculate the volume of water that was recycled or reused in your organisation's production cycle based on the volume of water demand satisfied by recycled/reused water.
2. Report the total volume in cubic meters per year (m³/year) and as a percentage of total water withdrawn.

Data sources:
 Use data taken from water meters, water bills, or calculations based on a water audit or inventory.

For Further Information:

See GRI G3 Guidelines Indicator Protocols Set: Environment pp. 14-16



CASE STUDY:

CADBURY
water reduction commitment

Cadbury's Ringwood site in Victoria is working to reduce water use by 40 per cent through innovative water management projects that are part of Cadbury's global Purple Goes Green Initiative.

The major uses of water at the site are associated with cooling towers, production processes, domestic appliances and boilers. Cadbury has recently secured grant funding through the Victorian Smart Water Fund, which will contribute towards a \$1.2 million project to reduce total water consumption by 40 per cent by 2009-10.

Using 2006 as a base year for water use, in 2009 Cadbury Ringwood is on track to meet its target of using 40 per cent less water than it did in 2006.

This reduction will be achieved through:

- Installing a water recycling system aimed at reducing the volume of water consumed by vacuum pumps, saving 5,500 kilolitres of water each year (more than two Olympic swimming pools)
- Changing from water absorption chillers to electric drive chillers, which reduces cooling tower water use and installing equipment and systems to reduce evaporative water loss
- Fitting flow control valves to hand washing basins and retrofitting bathrooms with waterless urinals



- Installing rainwater tanks (up to 1 million litres in size) for supply of water to the cooling towers and toilets (total Cadbury Ringwood site storage of 2 million litres)
- Programs aimed at engaging staff in creating a water wise culture within the organisation such as showerhead exchange programs.

CASE STUDY:

SARA LEE AUSTRALIA
trade waste water improvement project

In Australia, the Sara Lee Bakery Division operates a large manufacturing facility at Lisarow, on the Central Coast of NSW, which produces a wide range of consumable goods for the local and export market.

This site chemically treated trade waste prior to discharge to the sewer for a number of years. The existing plant consisted of a 90,000L balance tank followed by a clarifier for solids separation and removal via flocculation and air floatation. The wastewater was then discharged to the sewer, with the plant having minimal automatic process control.

Sara Lee Australia identified a significant opportunity to improve the treatment process, both reducing trade waste charges and improving the environmental

performance of the plant. Working with Integra treatment solutions, Sara Lee decided to add a biological phase to the wastewater treatment process. A 250,000L biological reactor tank was introduced, and the general plant configuration and flow dynamics were also changed and refined in a staged process improvement over the course of the project.

Key aspects of the project were:

- Commissioning of the biological reactor and installation of jet aerators with dissolved oxygen (DO) control
- Implementation of detailed monitoring to include inflows, out flows, tank levels, and daily analysis of Chemical Oxygen Demand (COD), bio-mass concentration and other parameters



- Installation of a 70,000L secondary balance tank to help regulate flow from the clarifier into the bio-reactor
- Installation of Programmable Logic Controller (PLC) and other capital equipment including ultrasonic level sensors in all tanks
- Dosage of Biobac R200™ freeze-dried bacteria to establish and maintain an effective biomass.

As a result of this project, the treatment plant is producing excellent water quality, with COD results consistently below 10 mg/L. As a result, the business will save approximately \$1 million annually in trade waste costs and have reduced pollutant loadings to sewer by approximately 60 tonnes of COD per year.



WASTE

WASTE AND RECYCLING

Reducing food waste, at both the production and consumer level, will be integral to feeding a growing population and offsetting the anticipated higher raw material and food prices.

There is a direct relationship between food waste and methane generation, an extremely potent greenhouse gas that contributes to climate change. As a result, reducing the amount of food waste that goes to landfill can play an important part in government and business climate change strategies. Further, increasing landfill costs, particularly after the likely commencement of the Carbon Pollution and Reduction Scheme (CPRS) in 2011, serves as another incentive to the industry to reduce waste generation.

Waste generation from the food and grocery sector is skewed towards the consumer end of the supply chain. In this way, packaging can play an important role in minimising food wastage, despite its environmental impact. Such sustainability trade-offs are an important element in any decision-making around packaging.

On average in 2007-08, AFGC members recycled 74 per cent of total waste generated. Recycling rates at the subsector level ranged from 96 per cent for the paper and paper products subsector to 33 per cent for the meat and meat products subsector (see Figure 3).

In 2007-08, the average industry production waste sent to landfill (kg) per tonne of finished product produced remains low, at 9 kg per tonne (or less than one per cent of total finished product produced). Waste generation sent to landfill at the subsector level ranged from 2.06 kg/ tonne of product for the flour and cereal foods subsector to 89.6 kg/ tonne of product for the meat and meat products subsector (see Figure 4).

Waste sent to landfill by AFGC members completing the 2007-08 survey totalled approximately 96,000 tonnes. Total waste recycled by AFGC members totalled approximately 275,500 tonnes.

AFGC members recycled 74 per cent of total waste generated.

INDUSTRY PERFORMANCE WASTE

SUBSECTOR WASTE RECYCLING RATES (PER CENT)

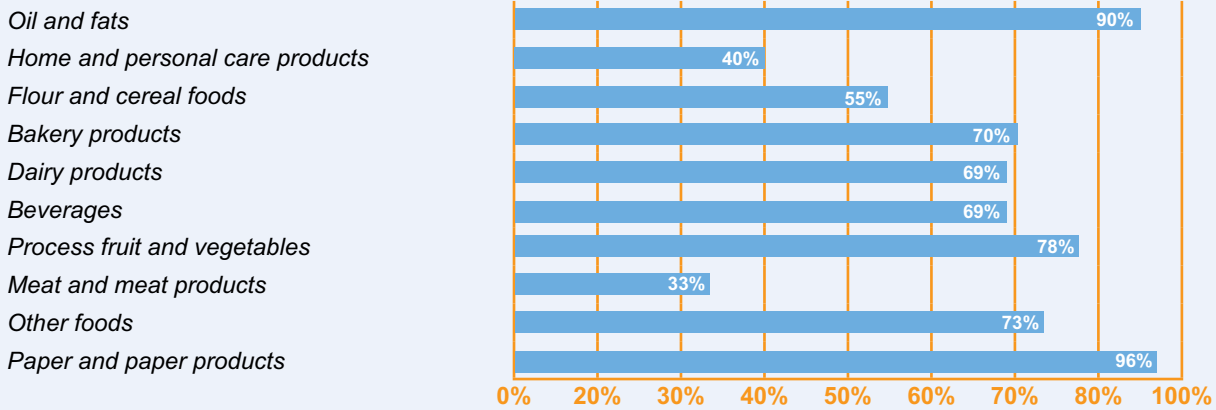


Figure 3

SUBSECTOR WASTE SENT TO LANDFILL (KG/TONNE FINISHED PRODUCT)

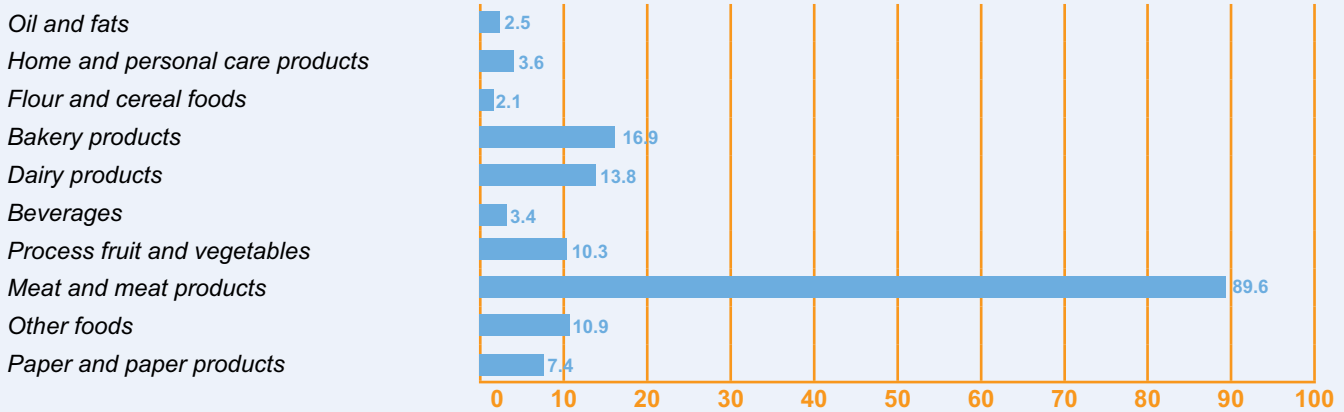


Figure 4

CASE STUDY:

KELLOGG'S reduction in waste to landfill

In January 2009, the Kellogg Company set ambitious global environmental goals to reduce energy use, greenhouse gas emissions, water use and waste per metric tonne of food produced by 15-20 per cent by 2015 (based on 2005 base levels). This commitment formalised Kellogg's drive to improve its environmental performance pursued over many years. Indicative of this is Kellogg's project at its Botany site with an aim to reduce the total amount of waste (specifically food waste) sent to landfill and increase the recovery of recyclable materials.

Kellogg's worked to improve the site's internal waste collection systems to make it easier for all employees to dispose of waste appropriately through new bins and clear signage, educated employees on the importance of segregating waste, established discipline to record waste data accurately, and ensured that Kellogg's waste contractors were fully aware of the new requirements.

The outcome of this successful project is that approximately 95 per cent of Kellogg's waste at the Botany site is now diverted from landfill to recycling. Between 2006 and 2007, Kellogg's reduced its waste to



landfill at the Botany site from 619 tonnes to 435 tonnes (i.e. 30 per cent reduction), and there was a further 16 per cent reduction during 2007-08.

Increased confidence in its waste data has also allowed Kellogg's to improve reporting both internally and externally, including for example to the National Packaging Covenant and Kellogg's global Corporate Social Responsibility reporting. Waste audits are now done annually to help Kellogg's understanding of plant waste streams and drive continuous improvement. The site now has a greater focus on waste reduction because the cost to the business is better understood.

GRI Performance Indicators - Material Use and Waste

Core Indicators:

Materials used by weight or volume (EN1)

Do you have a clear picture of material intensity of your organisation and its efforts to increase its efficiency?

Step-by-step guide for compilation:

1. Calculate the total materials used including those purchased from external suppliers and internal sources during the reporting period. This may include raw materials, associated process materials, semi manufactured goods and materials for packaging purposes.
2. Report total weight or volume of materials used during the reporting period.

Data sources:

Use the organisation's billing and accounting systems, or procurement records.

Percentage of waste by type and disposal method (EN22)

Can you measure your organisation's effort to reduce waste and improve its process efficiency and productivity?

From a financial perspective, the reduction of waste contributes directly to lower costs for materials, processing and disposal.

Step-by-step guide for compilation:

1. Identify the amount of waste created by the organisation's operations and its disposal methods.
2. Report the total amount in tonnes by the disposal method (e.g. composting, reuse, recycling, recovery, incineration, landfill and on-site storage).

Data sources:

Use data collected from waste audits, internal billing, or procurement or supply contracts. If no weight data is available, estimate the weight using available information on waste density and volume collected.

For Further Information:

See GRI G3 Guidelines Indicator Protocols Set: Environment pp. 5-6, & 29



Kellogg's recognise the need to ensure its operations are conducted in a manner that leads to an improved quality of life for current and future generations. By acknowledging our impact on the natural environment and the broader community, we actively work to ensure our business meets the sustainability needs of the present and future.



Helena Cooke-Yarborough, Environmental Sustainability Manager Asia Pacific & South Africa, Kellogg's Member, Sustainable Practices Committee

PACKAGING

Packaging plays a crucial role in the supply chain of food and grocery products. It protects food in its journey from primary production to consumption, and provides a range of other services including portion control, product description, communication of nutrition information, tamper-proofing, point-of-sale marketing, bundling and ease of transportation.

Consumers expect packaging to provide them with more convenient, fresher, better-tasting and more hygienic food. Yet AFGC acknowledges that consumers and retailers are increasingly seeking more environmentally friendly packaging. There is growing demand for sustainable packaging to deliver high quality products with a lower environmental impact. In contrast, waste regulations and co-regulatory packaging agreements are also driving the food and grocery industry to reduce packaging volumes and increase recycling.

While packaging has a tangible impact on waste streams, these impacts should be recognised in the context of the broader economic, environmental and social contribution packaging makes to the community. Sustainability trade-offs can be inherent in packaging decisions. For example, packaging of perishable food can actually be beneficial from an overall environmental perspective because protection from food spoilage avoids additional energy and water required for replacement food manufacture. Further, additional packaging can serve a valuable social health benefit in portion sizing and control. These examples illustrate the complexity around any debate about packaging and resource efficiency. It is therefore vital that the food, beverage and grocery manufacturing industry engages with all stakeholders in a properly informed debate in relation to packaging issues.

Nevertheless, AFGC recognises that significant opportunities do exist to continue to eliminate, reduce or replace packaging in the food and grocery sector, and AFGC is committed to assisting its members to do so. As responsibility for sustainable packaging outcomes spans the entire supply chain, industry cooperation is crucially important.

AFGC is committed to incorporating members' environmental performance related to packaging into future sustainability reports.

CASE STUDY:

SCA HYGIENE reductions in packaging and waste

SCA Hygiene Australia's (SCA HA) participation in the National Packaging Covenant has yielded continuing reductions in packaging and waste going to landfill.

In 2008, SCA HA achieved the following:

- 310 tonnes of waste packaging going to recycling – an increase of 72 tonnes on 2007
- A 356 tonne reduction in the use of non-recycled packaging placed on the market compared to 2007
- Elimination of 10 tonnes per year post consumer waste sent to landfill by a reduction in the amount of packaging used on Purex Toilet Tissue
- Increased the recycled content of inner and outer carton packaging materials to reduce the amount of virgin fibre by 40 per cent, saving approximately 170 tonnes of virgin fibre (most corrugated cases now have between 50 - 80 per cent recycled fibre content)
- Developed labelling guidelines for all packaging materials types used to ensure information relating to recycling and re-use is clearly communicated to consumers
- Eliminated wooden pallets from the remaining imported raw material suppliers, which equates to an elimination of approximately 270 wooden pallets thrown away per annum.



NATIONAL PACKAGING COVENANT

AFGC has been a signatory and strong supporter of the National Packaging Covenant since 1999. The food and grocery sector makes up approximately 50 per cent of industry signatories.

The Covenant is the voluntary component of a co-regulatory approach to tackle the environmental impact of packaging in Australia. The Covenant is founded on the philosophy of product stewardship⁶, and pursues a partnership approach between industry and the three levels of government to address packaging issues.

It is designed to minimise the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the re-use and recycling of used packaging materials.

An independent mid-term review of the performance of the Covenant found that it is an effective mechanism to address packaging waste. It also found that postconsumer packaging recycling rates had increased by 40 per cent over the past three years (from 40 per cent to 56 per cent), and is on track to

meet the target of 65 per cent of all packaging recycled by 2010. AFGC is currently working with like-minded industry associations and all levels of government to develop arrangements for similar co-regulatory agreement to address packaging waste beyond June 2010.

⁶ 'Product stewardship' is a concept whereby all parties involved in a product (manufacturers, retailers and consumers) are responsible for the environmental and social impacts of the product throughout its lifecycle.

GRI Performance Indicators - Packaging



Core Indicators:

Percentage of products sold and their packaging materials that are reclaimed by category (EN27)

Do you have a measure to understand the extent to which the organisation's products, components or materials are collected and successfully converted into useful materials for new production processes?

Step-by-step guide for compilation:

1. Identify the amount of products and their packaging materials that are recycled or reused by your organisation at the end of their useful life. Product recalls and recalls should not be included.
2. Report this as a percentage of total products sold.
3. Given the potential variations in data sources, report how the data has been collected (e.g. from an internal system or external collection system reclaimed on the organisation's behalf).

For Further Information:

See GRI G3 Guidelines Indicator Protocols Set: Environment pp.34



AFGC'S PACKAGING STEWARDSHIP FORUM HIGHLIGHTS 2007-08

The PSF and the National Packaging Covenant co-funded the roll-out of new glass recycling systems to pubs and clubs. Free two-month trials of glass crushing equipment (BottleCycler) were provided to pubs and clubs, with more than 75 per cent of trial venues choosing to take up the new systems on a permanent basis, acknowledging savings to their business in terms of space, time and labour.

The Qantas Club

The Qantas Club has been an outstanding trial participant, collecting 8,000 kilograms of glass a month. This is glass that was previously going to landfill.

Pubs and Clubs

Through the ongoing partnership between the PSF and BottleCycler, more than 346 machines are now operating in pubs and clubs throughout Australia, and more than 4,000 tonnes of glass are being recycled annually. That's equivalent to 22.6 million stubbies or nearly 8 million wine bottles.

Remote Communities

The PSF developed *Clean Up Book* was officially launched in Darwin, in December 2007 by the then Minister for the Environment Len Keily. The book provides regional shire remote Community Managers, Community Development Associations and Community Waste Service Managers with practical, easy to apply information on how to prevent and reduce litter and recycle in remote and indigenous communities.

Keep Australia Beautiful

Through a partnership with Keep Australian Beautiful NT, the *Clean Up Book* was distributed to 44 indigenous communities this year. Since then KABCNT has worked with 19 of these communities and has helped reduce litter and recover 5,800 kg of bottles and cans from remote communities for recycling.



ENERGY

ENERGY

Economic drivers have been an important impetus to uncover energy efficiency opportunities, particularly due to current and projected energy price rises stemming from water shortages, energy demand increases and the government's proposed Carbon Pollution Reduction Scheme (CPRS).

In recent years, there has been a greater emphasis on the direct relationship between energy consumption and greenhouse gas emissions. Due to Australia's energy supply system being predominately based on fossil fuel energy sources, reducing energy consumption is an important component of efforts to tackle climate change.

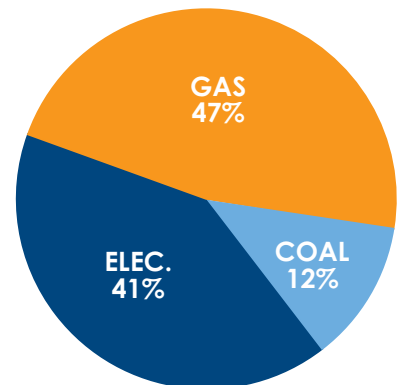
In 2007-08, natural gas was the largest source of energy consumption (47 per cent) used by AFGC members, followed by electricity (41 per cent) and direct coal usage (12 per cent).

Energy consumption in the subsectors ranged from 0.4 MJ/kg of product for the home and personal care product subsector to 6.71 MJ/kg of product for the meat and meat products subsector (see Figure 5), and 27 per cent of responding AFGC members reported purchasing a component of their total energy use from renewable energy sources, ranging from two per cent to 100 per cent of total energy consumed.

Total annual energy consumed by AFGC members completing the 2007-08 survey totalled approximately 21,455,800 GJ. As a comparison, this is approximately equivalent to 2.7 per cent of Victoria's total energy consumption in 2004-05⁷.

27 per cent of responding AFGC members used renewable energy.

ENERGY USE ACROSS THE SECTOR



⁷ Sustainability Victoria 2008, Energy Use in Victoria. Available online at <http://www.sustainability.vic.gov.au/html/1819-energy-use-in-victoria.asp>

SUBSECTOR ENERGY USE (MJ/KG FINISHED PRODUCT)

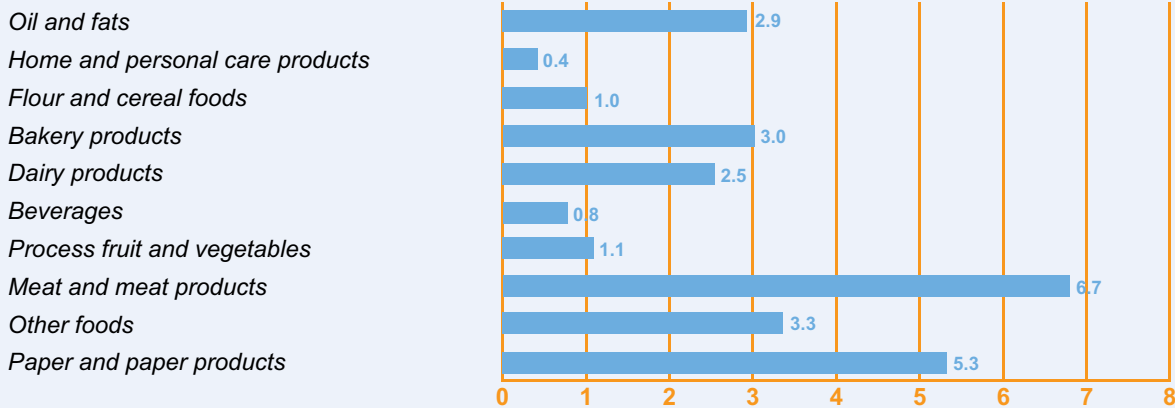


Figure 5

GRI Performance Indicators - Energy Use



Core Indicators:

Direct energy consumption by primary energy source (EN3)

Do you have a baseline figure for which to calculate your organisation's ability to use energy efficiently?

Do you have an understanding of how your organisation might be effected by emerging energy regulations and a potential price for carbon?

Step-by-step guide for compilation:

1. Identify the sources of the organisation's direct primary energy sources purchased or produced by the organisation. These emissions are also known as Scope 1 as defined by the WRI/WBCSD Greenhouse Gas Protocol or the Australian Government's National Greenhouse Account Factors.
2. Calculate the total energy consumption in joules or multiples such as gigajoules.
3. Report energy purchased for the organisation's consumption from non renewable sources (including coal, natural gas fuel distilled from crude oil), and renewable sources (including bio-fuels, ethanol and hydrogen).

Data sources:

Use invoices, heat/fuel accounting, estimations, defaults etc.

Indirect energy consumption by primary energy source (EN4)

Do you have an understanding of the energy required to produce and deliver purchased electricity and other intermediate energy products upstream of your organisation's reporting boundary/operations?

Step-by-step guide for compilation:

1. Identify the amount of energy purchased or consumed, from sources external to your organisation's operations. This source of indirect energy covers Scope 2 of the WRI/WBCSD Greenhouse Gas Protocol or the Australian Government's National Greenhouse Account Factors.
2. Report the total amount of indirect energy used by the organisation in joules or multiples such as gigajoules.

Data sources:

Suppliers of energy are the most important source of information for this indicator.



GRI Performance Indicators - Energy Use

Additional Indicators: Energy saved due to conservation and efficiency improvements (EN5)

Do you have a measure of the proactive efforts of the organisation to improve the energy efficiency of its products and services through changes to operating and manufacturing processes?

Step-by-step guide for compilation:

1. Identify efforts to save energy through process redesign, conversion or retrofitting or equipment or personnel behaviour changes. This should not include reduced energy consumption from reduced production capacity or outsourcing.
2. Track and report the total amount of energy saved in joules or multiples.

Data sources:

Use internal energy measurements and supplier information.

Initiatives to promote energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives (EN6)

Do you have a measure for your organisation's product stewardship initiatives?

Do you track performance information that could be used as a source of competitive advantage through product differentiation?

Step-by-step guide for compilation:

1. Report your organisation's existing initiatives to reduce the energy intensity of major product groups.
2. Report quantified reductions in energy intensity achieved during the reporting period.

Data sources:

Use internal product testing/measurements, research concerning usage patterns and industry standards.

For Further Information: See GRI G3 Guidelines Indicator Protocols Set: Environment pp.7-12

CASE STUDY:

NATIONAL FOODS reducing energy use



National Foods has made capital outlays and process improvements at various production sites to reduce energy use and gain tangible cost savings and environmental benefits:

- A new air compressor and condensate recovery system saves the Bentley, Western Australia site about 470 MWh and \$35,000 a year in electricity and recovered heat. At a cost of \$27,400, this project paid for itself in less than 10 months and saves about 573 tonnes of greenhouse gas emissions per year
- The Penrith, New South Wales site installed new monitoring equipment at a cost \$14,000. The equipment monitors the electrical energy use for each processing section, and leads to the reprogramming chillers to make them more efficient, saving 377 MWh (460 tonnes CO₂-e and \$30,160) per year. The monitoring equipment paid for itself in six months
- A new air compressor at the Morwell, Victoria plant saves 117,600 kWh per year as the variable speed drive allows it to respond to changes in demand depending on the needs of the factory. This saved National Foods \$5,000 and reduces greenhouse gas emissions by 173 tonnes per year
- The Burnie, Tasmania site converted its boiler from fuel oil to more efficient natural gas in a project that had a six-month payback period. Each year, it now saves approximately \$1 million in fuel costs.

GREENHOUSE GAS EMISSIONS

In a very short time, the threat of climate change has become a major focus for government, business and the community. Greenhouse gas emissions from the food and grocery sector are largely emitted both directly and indirectly from energy use in manufacture and transportation.

AFGC is committed to assisting its members to respond to the challenge of reducing their greenhouse gas emissions. This will allow the sector to play its part in Australia's efforts to tackle climate change and to reduce members' financial vulnerability after the introduction of a carbon price under the Carbon Pollution Reduction Scheme (CPRS). Federal and state governments have moved, and are expected to continue, to legislate in the greenhouse gas emission space, whether by establishing carbon as a tradeable commodity under the CPRS or requiring large companies to report their greenhouse gas emissions and energy use under the National Greenhouse and Energy Reporting Act 2007.

In 2007-08 greenhouse gas emissions generated at the subsector level ranged from 0.12 kg CO₂-e/kg of product for the beverage subsector to 2.13 kg CO₂-e/kg of product for the paper and paper products subsector (see Figure 6). Two companies out of the 35 members reported voluntarily purchasing carbon offsets.

Total annual greenhouse gas emissions by AFGC members completing the 2007-08 survey totalled approximately 4,041 kilo-tonnes CO₂-e. This is approximately equivalent to 0.8 per cent of Australia's total greenhouse gas emissions in 2007⁸. In contrast, the services, construction and transport sector was responsible for 9.8 per cent of Australia's total emissions and residential sector was responsible for 9.1 per cent⁹.

...greenhouse gas emissions by responding AFGC members is less than one per cent of Australia's total.

⁸ Australian Government Department of Climate Change 2009, National Greenhouse Gas Inventory - Kyoto Protocol Accounting Framework. Available online at <http://ageis.climatechange.gov.au>.
⁹ Australia Government Department of Climate Change 2009, Australian National Greenhouse Accounts – National Inventory by Economic Sector 2007. Available online at www.w.climatechange.gov.au/inventory/2007/pubs/NIES.pdf

SUBSECTOR GREENHOUSE GAS EMISSIONS (KG CO₂-E /KG FINISHED PRODUCT)

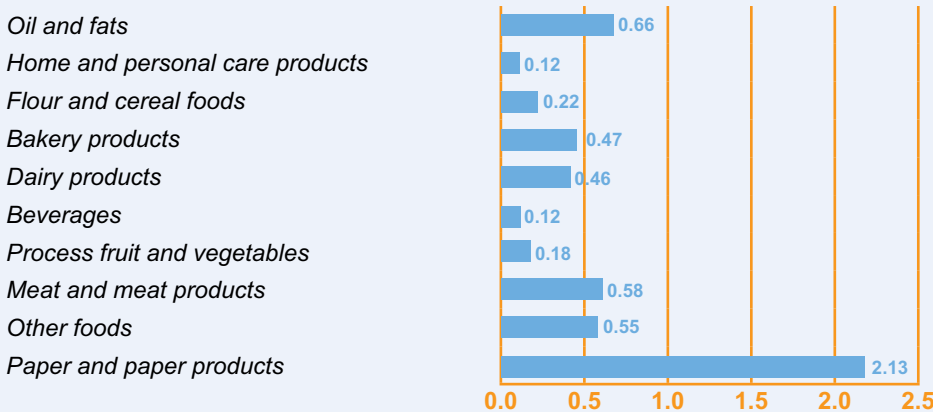
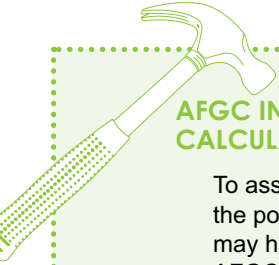


Figure 6



AFGC INITIATIVE - CPRS CARBON CALCULATOR

To assist its members to investigate the potential impact that the CPRS may have on their own operations, AFGC's Sustainable Practices Committee commissioned the development a CPRS Carbon Calculator Tool by Net Balance. The Carbon Calculator is a protected Excel-based tool which covers the production stages of ingredient manufacture, packaging production, facility/factory operations, storage and product distribution. It allows for a high level greenhouse gas emission analysis (i.e. at the facility/ factory level) through to detailed supply chain greenhouse gas emissions analysis (i.e. throughout a product lifecycle).

The tool has a variety of applications, including:

- Identifying the 'carbon footprint' of a product or facility
- Identifying greenhouse gas emission 'hot spots' in a supply chain
- Estimating the cost impact of the CPRS on product manufacture or facility operation at different 'carbon prices'
- Investigating the impact on greenhouse gas emissions and CPRS cost impacts when altering production factors.

It is hoped that the Carbon Calculator will be used by AFGC members to investigate, as a first step, the largest greenhouse gas reduction opportunities in their supply chains, and therefore be used to reduce their cost liability before commencement of the CPRS. The CPRS Carbon Calculator tool is available to all members via the AFGC website.

CASE STUDY:

FOSTER'S
Cascade Green

In early 2008, Foster's launched Cascade Green. Cascade Green is a 100% carbon offset beer with Australian Government Greenhouse Friendly™ certification. It is among only a handful of products approved under the Greenhouse Friendly™ Program. As part of the certification process, Cascade Green has undergone an extensive Lifecycle Analysis to calculate the total greenhouse gas emissions generated by the beer, all independently verified by government nominated assessors.



The carbon lifecycle of the beer extends from 'cradle to grave', and includes everything from picking the hops to putting the empty bottle in a recycling bin. It includes impacts from energy generation within the business and suppliers, waste and waste treatment, product marketing, packaging and an allowance for refrigeration in the consumer's fridge. Foster's has an Emissions Monitoring Plan in place to meet the commitments required for ongoing Greenhouse Friendly™ certification.



SOCIAL

Indicators of Social Sustainability Performance

While social impacts are many and varied in the food and grocery industry, a survey of sustainability reporting by food and grocery companies worldwide revealed occupational health and safety, sourcing and supply chains, advertising and marketing to be the most commonly reported social sustainability themes. These are the areas we have focused on this year and the following section presents the Australian food and grocery industry's performance through industry averages and best practice case studies.

SUSTAINABILITY AND COMMUNITY INVESTMENT

Members that responded to the survey anticipated spending in excess of \$134 million, an average of more than \$5 million per company, on sustainability initiatives over the next five years. How and where these funds are used play an important part in achieving sustainability objectives for members individually and the industry as a whole.

With more than 50 per cent of AFGC member companies reporting an expectation of some kind of negative effect from the economic downturn, the outlook for sustainability investment is mixed.

In the short term, 57 per cent of responding AFGC members expected to reduce their sustainability-related spending as a result of any economic downturn. Thirty-seven per cent expected such a change in the financial climate would result in them deferring their sustainability spending, and the remaining six per cent of responding members felt there would be no impact.

These commitments also highlight that members understand the importance of integrating sustainability into their day-to-day operations in the face of increasing challenges ahead.

In the field of community investment expenditure, AFGC member community investments for 2007-08 totalled over \$14 million, which is an average of 0.1 per cent of company turnover. The initiatives include individual company activities such as community partnerships and support programs, donations and gifts in kind, employee and organisation-wide charitable giving, fundraising and related activities.

There are a number of GRI G3 indicators that can be used to track expenditure on sustainability and community investment. Tracking performance against these indicators gives some insight into how external factors such as the global financial crisis will impact investment in sustainability programs and initiatives in the long term.



AFGC INITIATIVE - SUSTAINABILITY TOOLKIT

Sustainability is seen as a journey, and AFGC members are all at a different stage of this journey. To address some of the issues companies face in progressing on this journey, AFGC, Amcor and New Climate Consultants partnered to develop a Sustainability Toolkit. The toolkit aims to help all companies move to a level of strategic proactivity and turn what might be deemed as a negative impost to a positive outcome, especially on the triple bottom line. It has a specific focus on the fast moving consumer goods industry.

The toolkit includes a presentation sustainability managers can use to assist organisational buy in, helping fellow employees gain an understanding of the goals and embrace the sustainability journey. Factsheets on international global reporting indexes, Australian regulation and legislation, and leadership practices simplify the often complex messages. A step-by-step guide is also included for companies to address which stage of the journey they are at and practical ways to move forward.

The toolkit is based on research outlined by The World Business Council for Sustainable Development and United Nations Environment Programme.

The sustainability toolkit is available to members on the AFGC website - www.afgc.org.au.



Foodbank
An Australia Without Hunger

FOODBANK

One of Australia's best kept secrets is the significant issue of hunger. It affects a staggering 10 per cent of the population, including one million children. For the past 15 years, the food industry has been in formal partnership with Foodbank. Foodbank is Australia's largest national food relief organisation that seeks and distributes food and grocery industry donations to welfare agencies, which feed the hungry. In 2008, the food industry donated 16,000 tonnes of food and grocery items through Foodbank to help address the problem of hunger. This made 20 million meals and helped feed 50,000 people a day.

CASE STUDY:

NESTLÉ
Community Environment Program (NCEP)

The Nestlé Community Environment Program (NCEP) has been running since 2003. NCEP aims to identify and facilitate projects which enhance the local environment in which Nestlé facilities operate. Nestlé Oceania sites liaise with local authorities as well as community and environment groups to find suitable projects, and Nestlé employees and members of the local community directly participate in many of them. Each Oceania site contributes \$25,000 each year to a local environmental project. In addition



to the financial contribution employees actively participate directly in the projects and dedicate their time, energy and expertise.

2008 saw over 16 projects implemented across a diverse range of environmental issues, including regeneration and tree planting, environmental learning, erosion management and carbon sequestration projects. The total contribution across Australia, New Zealand, Fiji and Papua New Guinea was some \$425,000.

GRI Performance Indicators - Sustainability and Community Investment



Core Indicators: Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (EC1)

Do you track your voluntary community contributions and investment of funds in the broader community (including donations)?

Step-by-step guide for compilation:

1. Identify the sources of voluntary community contributions, investments and programs that took place during the reporting period.
2. Report in terms of financial contributions, converting those contributions that were not measured in financial terms. The amount included should account for actual expenditures not commitments. For infrastructure investments, these should include goods, labour and operating costs in addition to capital costs.

Data sources:

Source information from the finance or accounting department of your organisation.

Total environmental protection expenditures by type (EN30)

Do you have measure to track the efficiency and cost effectiveness of your organisation's environmental initiatives?

Step-by-step guide for compilation:

1. Identify and report waste disposal, emissions treatment, and remediation costs, and other prevention and management costs including education and training, external certification, research and development, extra expenditures on green purchases and other environmental management costs.

*Do not include fines for non compliance with environmental regulation.

Data sources:

Use billing and accounting systems.

For Further Information:

See GRI G3 Guidelines Indicators Protocol Set: Economy p. 3 & Environment p. 37

OCCUPATIONAL HEALTH AND SAFETY

Health and safety performance is a key measure of an organisation's duty of care. Low injury and absentee rates are generally linked to positive trends in staff morale and productivity.

On a biannual basis AFGC conducts a survey on member company OH&S performance. The objective of the survey is to encourage and facilitate improvements in OH&S performance via a benchmarking process. The results of the survey provide an insight into individual company performance against that of a previous industry average, thus providing a mechanism for companies to measure their performance in this important area of business.

An OH&S survey was sent to all members seeking key performance data for the 2007-08 period with 32 completed surveys received. Of the 32 participants, 24 were food and beverage manufacturers and 8 were non-food manufacturers¹⁰. The results from participating companies on a number of key indicators suggest that performance has dropped since 2006 when the last survey was undertaken.

The Medication Treatment Injuries Frequency Rate (MTIFR) reported survey average for 2008 was 40 compared to the survey average of 31 in 2006.

However, when individual company's performance was compared over the two surveys, the results were more encouraging. This demonstrates the wide variance of performance across the sector and highlights an opportunity for information exchange within the sector that may improve both individual company results as well as the sector as a whole.

When the individual companies are analysed, in most cases the MTIs have reduced from an average rate of 29 to 27. This demonstrates the wide variance of performance across the sector and highlights an opportunity for information exchange within the sector that may improve both individual company results and also the sector as a whole.

The key indicator, the Lost Time Injury Frequency Rate (LTIFR), (the number of occurrences that resulted in a fatality, permanent disability or time lost from work of one day/shift or more expressed as a rate per million hours) shows the average LTIFR rate for all survey participants in 2008 improving to 12, from the 2006 survey average of 17.

The 2008 AFGC OH&S Report is available at www.afgc.org.au



We are committed to acting with integrity and to doing the right thing for the long-term health of our business, the environment and the communities in which we operate.

David Carter,
Group Environment and Technical Projects Director,
Lion Nathan Limited
Member, Sustainable Practices Committee

¹⁰ Non-food companies represent the packaging, medicinal and pharmaceutical, paper and paper product and home and personal care sector.

GRI Performance Indicators - Occupational Health and Safety

Core Indicators:

Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related facilities by region (LA7)

Do you understand the effectiveness of your health and safety management practices?

Step-by-step guide for compilation:

1. Report by a regional breakdown of the total workforce and independent contractors' injury rates, occupational diseases rate, lost day rates and absentee rates using national or internally applicable standards where appropriate.
2. Report fatalities in the reporting period in an absolute number not a rate.
3. Report the standard used to record and calculate the accident statistics.

Data sources:

Use employee and contractor attendance records and injury reports.

Additional Indicators:

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs (LA6)

Can you effectively track your organisation's health and safety culture? Do you effectively measure the extent to which the workforce is actively involved in health and safety?

Step-by-step guide for compilation:

1. Identify formal health and safety committees that help monitor and advise on OH&S.
2. Report the percentage of the total workforce represented in these committees.
3. Report the levels at which the committee typically operates (e.g. facility or group).

Data sources:

Use organisational procedures and minutes of health and safety committee meetings.

For Further Information: See GRI G3 Guidelines Indicators Protocol Set: Economy p. 3 & Environment p. 37

GREEN MARKETING AND LABELLING


Due to the strong concern for environmental issues in the community, products that provide environmental benefits can be a powerful point of difference in the consumer marketplace. However, it is crucial that environmental marketing claims are accurate and unambiguous to allow consumers to make informed choices.

'Greenwash' has become a term synonymous with confusing, conflicting or unassured claims on the environmental credentials of a product. Often, it is not a problem of insufficient information, but its presentation in a way that is not transparent, relevant or accessible to consumers.

Members were asked to disclose any incidences of non-compliance with regulations and voluntary codes concerning 'green' marketing communications, which include advertising, promotion and sponsorship in the 2007-08 financial year. No responding companies reported any incidence of non-compliance with relevant regulations and voluntary codes.

The Australian Competition and Consumer Commission (ACCC) plays a pivotal role in protecting consumers. In February 2008, the ACCC published the 'Green Marketing and the Trade Practices Act' Guidelines (the Guidelines).

The Trade Practices Act 1974 states that businesses must not mislead or deceive consumers in any way, and it carries serious penalties for businesses that fail to meet these requirements. A concise checklist for marketers is also provided in the Guidelines. To access the Guidelines, please refer to the ACCC website - www.accc.gov.au

GRI Performance Indicators - Marketing and Advertising 	
<p>Core Indicators: Programs for adherence to laws, standards, and voluntary codes related to marketing communications (PR6)</p> <p>Do you have measure to track the risk associated with your organisation's marketing practices?</p> <p>Step-by-step guide for compilation:</p> <ol style="list-style-type: none"> 1. Identify any codes or voluntary standards relating to marketing communications. 2. Report the frequency with which your organisation reviews its compliance with these. 3. Report whether your organisation sells products that are banned in certain markets or are subject to public debate. 4. Report how the organisation has responded to questions or concerns raised about these products. <p>Data sources: Use data sourced from your legal, sales and marketing departments.</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>Additional Indicators: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes (PR7)</p> <p>Do you have an understanding of the effectiveness of internal management systems and procedures for marketing communications, and the implementation of these?</p> <p>Step-by-step guide for compilation:</p> <ol style="list-style-type: none"> 1. Identify total number of incidents of non compliance with regulations concerning marketing communications within the reporting period. 2. Break down this information by code or regulation. <p>Data sources: Use data sourced from your legal, sales and marketing departments.</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>For Further Information:</p>	<p>See GRI G3 Guidelines Indicators Protocol Set: Product Responsibility pp. 9</p>

AFGC INITIATIVE - WHAT ASSURES CONSUMERS IN AUSTRALIA ON CLIMATE CHANGE?

AFGC was one of the key sponsors of a research report titled *What Assures Australian Consumers on Climate Change?* This report was published as open-source research in August 2008. Completed by Net Balance Foundation and AccountAbility, with LRQA, the report built on studies conducted in the US and UK, and explored the

potential for Australian consumers to take a leading role in helping Australia mitigate its climate change impacts. It examined the impact climate change is having on consumer behaviour and purchasing patterns. The research found that Australian consumers are informed, inspired and are demanding to be part of the climate change debate. The report argued that consumer action could be a crucial asset in Australia's efforts to tackle climate change, and must

be more effectively harnessed. However, despite showing substantial concern, few consumers reported feeling empowered or informed enough to take anything but the most easy and convenient action.

To access the research, please refer to Net Balance's website - www.netbalance.com

VOLUNTARY CARBON LABELLING

AFGC has analysed the value of carbon labelling in Australia by undertaking research with Woolworths, Metcash and the Australian Government. The report, *Inquiry into Carbon Labelling in Australia*, found it to be a complex issue due to the range of factors that guide consumer purchasing behaviour.

The report found that if the objective was to reduce emissions, the greatest opportunities are more likely to be found in the production of the raw materials, manufacturing supply chains and the use of innovative technology and improving business efficiency.

The UK has seen some voluntary carbon labelling with products on supermarket shelves over the past number of years. In addition to that, in 2009, the Japanese government announced a voluntary product carbon labelling scheme.

AFGC members that export to these markets should be aware that these schemes could gain widespread market penetration. While still voluntary, it is possible, for example, that Japanese companies may start to require their international suppliers to provide them with lifecycle greenhouse gas emission readings for all raw ingredients and/or manufactured products.

In June 2009, Planet Ark and the Carbon Trust announced they had signed a memorandum of understanding to establish a UK style carbon labelling initiative in Australia. AFGC will work with such organisations to ensure any scheme is credible and meaningful and provides useful information that will improve the sustainability of the industry.

SUPPLY CHAIN SCREENING

Clear and transparent communication on ethical business practices within organisations and their supply-chains are paramount to managing the risks relating to sustainability challenges.

Sitting between the agricultural and retail industries, the food and grocery manufacturing industry has sustainability considerations both up and down the supply chain. For some members, the majority of their environmental footprint is embedded downstream in their supply-chain. How and where products are sourced is therefore a key emerging issue. AFGC has sought to constructively engage suppliers and retail partners to find solutions that meet mutual interests – recognising that a collaborative, holistic approach is the most effective way to influence change.

Supplier screening policies are becoming common practice across the globe and AFGC members are already both screening some of their own suppliers and being subject to screening themselves. Screening policies help companies to manage their exposure to risk through the supply-chain and to confidently make claims on the quality and exact source of all the products they produce.

Common screening criteria relate to:

- Compliance with international laws and regulations
- Ethical business conduct and codes of practice
- Policies guiding expected behaviours relating to anti-bribery and corruption
- Safe and healthy working conditions
- Adherence to recognised labour and human rights standards
- Environmental standards, such as ISO14001.

Forty-three per cent of AFGC members reported that they currently screen suppliers based on sustainability related criteria. The coverage of this screening ranged from 10 to 100 per cent of their significant supplier base.

While supply chain screening enables organisations to select their suppliers, certification standards allow consumers to easily identify the goods that meet agreed standards for sourcing and production and make informed purchasing choices.

43 per cent of AFGC members reported that they currently screen suppliers based on sustainability related criteria.

CERTIFICATION STANDARDS

The following are a range of certification schemes and standards that many of our members actively engage in. These are by no means a 'one size fits all' approach to sustainability, but they are examples of ways manufacturers can ensure their suppliers meet internationally recognised standards.

Forest Stewardship Council

Products carrying the Forest Stewardship Council (FSC) label are independently certified to assure consumers that they come from forests that are managed to meet the social, economic and ecological needs of present and future generations. For further information on the FSC see www.fsc.org

Rainforest Alliance

The Rainforest Alliance is an independent non-government organisation whose mission is to promote sustainable agriculture and protect wildlife and the welfare of workers. For further information on the Rainforest Alliance see www.rainforest-alliance.org

Marine Stewardship Council

The Marine Stewardship Council (MSC) is a global organisation working with fisheries, seafood companies, scientists, conservation groups and the public to promote the best environmental choice in seafood. For further information on the MSC see www.msc.org

Roundtable on Sustainable Palm Oil

The Roundtable on Sustainable Palm Oil's (RSPO) principle objective is to advance production, procurement and use of sustainable palm oil products through cooperation within the supply chain and open dialogue between its stakeholders. For further information on the RSPO see www.rspo.org

CASE STUDY:

GOODMAN FIELDER and the Roundtable on Sustainable Palm Oil

As the biggest importer of palm oil into Australia, Goodman Fielder is taking a leading role in developing a supply chain for sustainable palm oil. As a progressive company, Goodman Fielder is becoming more focussed on its obligations around social responsibilities. This includes, where possible, ensuring that inputs are sourced from socially and environmentally responsible sources.

There are growing concerns in Australia and throughout the world about global warming, caused by greenhouse emissions. The destruction of tropical forests is a key contributor to climate change. Tropical forests act as a carbon sink, absorbing carbon from the atmosphere and storing it. The destruction of rain forests decreases this essential resource, and causes additional outputs of carbon, due to burning and peat decomposition.

One country responsible for more destructive tropical logging than any other is Indonesia. Palm oil plantation expansion is the leading cause of tropical forest destruction in Indonesia and other palm producing countries. The other major concern associated with palm plantation expansion is the destruction of habitat for many species of animals including the orangutan.

Goodman Fielder has been an active member of the Roundtable on Sustainable Palm Oil (RSPO) since July 2005.

Goodman Fielder has independently taken proactive and unique steps to minimise the use of non-sustainable palm supplies and only sources palm oil in peninsular Malaysia, where there is no current occurrence of de-forestation, from suppliers who are members of the RSPO.



Goodman Fielder is hopeful that continued efforts by palm oil producers, under direction from the RSPO, will soon lead to the establishment of certified sustainable palm oil.

CASE STUDY:

UNILEVER'S Rainforest Alliance Certification

Unilever is the world's largest purchaser of black tea, buying around 12 per cent of the world's black tea supply. It owns Lipton, the world's best-selling tea brand, with a market share nearly three times larger than its nearest rival.

Unilever has committed to purchasing all its tea from sustainable, ethical sources, and is working with the Rainforest Alliance to help the farms from which it sources its tea to achieve Rainforest Alliance certification.

Because of the enormous scale of the undertaking — there are 450,000 smallholder farms in Kenya alone — Unilever has given itself until 2015 to have all Lipton tea sold globally to be certified as sustainably sourced. This is the first time a major tea company has committed to introducing sustainably certified tea on such a large scale.

The first tea farm to apply for Rainforest Alliance certification was Unilever's own tea estate in Kericho, Kenya. Kericho provides a benchmark for the improved standards of living Unilever hopes will be extended to more growers and pluckers in the developing world, as more tea estates and smallholdings become certified.



Certification will enable growers to improve the quality of their tea, increase their competitiveness and ensure a more sustainable income stream. Based on Rainforest Alliance experience with other crops, it is expected that tea from certified farms will command higher prices than current average prices paid at auction.

GRI Performance Indicators - Supply Chain

Core Indicators: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening (HR1)

Do you have an understanding of the extent to which human rights are integrated in your organisation’s economic decisions?

Step-by-step guide for compilation:

1. Determine your organisation’s significant investments either based on size, level of approval required within the organisation, or of strategic importance and disclose your definition of significance.
2. Identify the total number of significant investment agreements finalised during the reporting period.
3. Report the total number and percentage of significant investment agreements that included human rights clause or underwent human rights screening.
4. This indicator could be adapted to track the number of significant investments that include environmental protection clauses or underwent environmental risk management.

Data sources:

Use data sourced from your organisation’s procurement, legal, financial or investor relations departments, as well as documented quality management systems.

Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken (HR2)

Do you have an understanding of the extent to which your organisation applies its human rights policies to its supply networks?

Step-by-step guide for compilation:

1. Determine your organisation’s definition of significance and disclose.
2. Identify the total number of the organisations significant suppliers and contractors.
3. Report the percentage that was screened for human rights clauses.
4. Report the percentage that were either declined or imposed performance conditions as a result of human rights screening.
5. This indicator could be adapted to track the number of significant suppliers or contracts that include environmental protection clauses or underwent environmental risk management screening.

Data sources:

Use data sourced from your organisation’s procurement, legal, financial or investor relations departments, as well as documented quality management systems.

For Further Information:

See GRI G3 Guidelines Indicators Protocol Set: Human Rights pp. 3- 4

FUTURE DIRECTIONS



...we believe pursuing sustainability makes good business sense.



AFGC considers water, waste, energy and social issues to be the current key sustainability challenges for the food and grocery sector. Significant future developments are envisaged in the energy area in particular, with an Australian CPRS likely to be introduced in 2011 and a global climate change agreement to be finalised at Copenhagen at the end of 2009.

AFGC strongly views sustainability as an opportunity to unlock immediate and long-term value via tangible cost savings and resource efficiencies; risk mitigation; reputation and market positioning; and staff retention and engagement. In short, we believe pursuing sustainability makes good business sense.

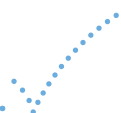
AFGC would like to thank the 35 members who took time out of their busy schedules to provide data and case studies for this report. A special thanks also

goes to the Sustainable Practices Committee team who continue to drive sustainability achievements within the industry – together we will continue to work together to ensure the food and grocery industry can provide for the future. AFGC would like to acknowledge Net Balance Foundation's contribution in bringing this report together.

AFGC encourages all members to access further information on the initiatives highlighted throughout this report through the AFGC website - www.afgc.org.au or by contacting the AFGC Secretariat:

Tony Mahar
Director
Sustainable Development
tony.mahar@afgc.org.au
or phone (02) 6273 1466

Claudia Cooney
Assistant Director
Sustainable Development
claudia.cooney@afgc.org.au
or phone (02) 6270 9004



AFGC MEMBERS (as at September 2009)

AFGC Members

Arnott's Biscuits Limited
Snack Foods Limited
The Kettle Chip Company Pty Ltd
Asia-Pacific Blending Corporation Pty Ltd
Barilla Australia Pty Ltd
Beak & Johnston Pty Ltd
BOC Gases Australia Limited
Bronte Industries Pty Ltd
Bulla Dairy Foods
Bundaberg Brewed Drinks Pty Ltd
Bundaberg Sugar Limited
Cadbury Schweppes Asia Pacific
Campbell's Soup Australia
Cantarella Bros Pty Ltd
Cerebos (Australia) Limited
Christie Tea Pty Ltd
Clorox Australia Pty Ltd
Coca-Cola Amatil (Aust) Limited
SPC Armona Operations Limited
Coca-Cola South Pacific Pty Ltd
Colgate-Palmolive Pty Ltd
Coopers Brewery Limited
Dairy Farmers Group
Danisco Australia Pty Ltd
Devro Pty Ltd
DSM Food Specialties Australia Pty Ltd
DSM Nutritional Products
Earlee Products
Ferrero Australia
Fibrisol Services Australia Pty Ltd
Fonterra Brands (Australia) Pty Ltd
Foster's Group Limited
Fruco Beverages (Australia)
General Mills Australia Pty Ltd
George Weston Foods Limited
AB Food and Beverages Australia
AB Mauri
Cereform/Serrol
Don
GWF Baking Division
George Weston Technologies
Jasol
Weston Cereal Industries
GlaxoSmithKline Consumer Healthcare
Golden Circle Limited
Goodman Fielder Limited
Meadow Lea Australia
Quality Bakers Aust Pty Ltd
H J Heinz Company Australia Limited
Hans Continental Smallgoods Pty Ltd
Harvest FreshCuts Pty Ltd
Hoyt Food Manufacturing Industries Pty Ltd
Johnson & Johnson Pacific Pty Ltd
Pfizer Consumer Health
Kellogg (Australia) Pty Ltd
Day Dawn Pty Ltd
Specialty Cereals Pty Ltd



Kikkoman
Kimberly-Clark Australia Pty Ltd
Kerry Ingredients Australia Pty Ltd
Kraft Foods Asia Pacific
Lion Nathan Limited
Madura Tea Estates
Manildra Harwood Sugars
Mars Australia
Mars Food
Mars Petcare
Mars Snackfood
McCain Foods (Aust) Pty Ltd
McCormick Foods Aust. Pty Ltd
Merisant Manufacturing Aust. Pty Ltd
National Foods Limited
Nerada Tea Pty Ltd
Nestlé Australia Limited
Nestlé Foods & Beverages
Nestlé Confectionery
Nestlé Ice Cream
Nestlé Nutrition
Foodservice & Industrial Division
Novartis Consumer Health Australasia
Nutricia Australia Pty Ltd
Ocean Spray International Inc
Parmalat Australia Limited
Patties Foods Pty Ltd
Peanut Company of Aust. Limited
Procter & Gamble Australia Pty Ltd
Gillette Australia
PZ Cussons Australia Pty Ltd
Queen Fine Foods Pty Ltd
Reckitt Benckiser (Aust) Pty Ltd
Ridley Corporation Limited
Cheetham Salt Limited
Sanitarium Health Food Company
Sara Lee Australia
Sara Lee Foodservice
Sara Lee Food and Beverage
SCA Hygiene Australasia
Sensient Technologies
Simplot Australia Pty Ltd
Spicemasters of Australia Pty Ltd
Stuart Alexander & Co Pty Ltd
Sugar Australia Pty Ltd
SunRice
Swift Australia Pty Ltd
Symrise Pty Ltd
Tate & Lyle ANZ
The Smith's Snackfood Co.
The Wrigley Company
Unilever Australasia
Wyeth Australia Pty Ltd
Yakult Australia Pty Ltd

Associate Members

Accenture
Australia Pork Limited
Australian Dietetic Services
ACI Operations Pty Ltd
Amcors Fibre Packaging
CAS Systems of Australia
CHEP Asia-Pacific
Concurrent Activities
CoreProcess (Australia) Pty Ltd
Dairy Australia
Exel (Aust) Logistics Pty Ltd
Food Liaison Pty Ltd
FoodLegal
Food Science Australia
Foodbank Australia Limited
IBM Business Cons Svcs
innovations & solutions
KPMG
Leadership Solutions
Legal Finesse
Linfox Australia Pty Ltd
Meat and Livestock Australia Limited
Monsanto Australia Limited
New Zealand Trade and Enterprise
Promax Applications Group Pty Ltd
Sue Akeroyd & Associates
Swisslog Australia Pty Ltd
The Nielsen Company
Touchstone Cons. Australia Pty Ltd
Visy Pak
Wiley & Co Pty Ltd

PSF Members

Amcors Fibre Packaging
Bundaberg Brewed Drinks Pty Ltd
Cadbury Schweppes Asia Pacific
Coca-Cola Amatil (Aust) Limited
Foster's Group Limited
Golden Circle Limited
Lion Nathan Limited
Owens Illinois
Visy Pak



Australian Food and Grocery Council (AFGC) is the peak national organisation representing Australia's processed food, beverage and grocery products industry. It seeks to help create a business environment that encourages the food and grocery industry to grow and remain profitable.

© Australian Food and Grocery Council 2009

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Australian Food and Grocery Council. Requests and enquiries concerning reproduction and rights should be addressed to the AFGC at:

Locked Bag 1
Kingston ACT 2604

All other enquiries can be directed to:

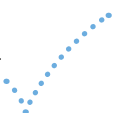
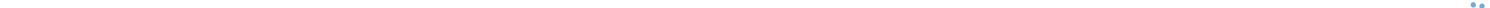
Level 2, Salvation Army Building
2-4 Brisbane Avenue
Barton ACT 2600

Telephone: 02 6273 1466
Facsimile: 02 6273 1477
Email: afgc@afgc.org.au
Website: www.afgc.org.au

Design and typesetting by: *Helen Bryen : Designer*

Printed by: *BlueStar Print Group*

Printed using Mondi FSC paper, October 2009.



Australian Food and Grocery Council

Level 2, Salvation Army House
2-4 Brisbane Avenue
Barton ACT 2600

Locked Bag 1
Kingston ACT 2604

T: (02) 6273 1466
F: (02) 6273 1477
afgc@afgc.org.au
www.afgc.org.au



one voice - adding value