



AUSTRALIAN  
**FOOD &  
GROCERY**  
COUNCIL



AFGC SUBMISSION

## Senate inquiry into greenwashing

June 2023

## PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector.

With an annual turnover in the 2020-21 financial year of \$133 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

The diverse and sustainable industry is made up of over 16,000 businesses ranging from some of the largest globally significant multinational companies to small and medium enterprises. Each of these businesses contributed to an industry-wide \$3.2 billion capital investment in 2020-21.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32 per cent of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of its 272,000 employees being in rural and regional Australia.

It is essential to the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Throughout the COVID19 pandemic, the food and grocery manufacturing sector proved its essential contribution to Australian life. Over this time, while our supply chains were tested, they remain resilient but fragile.

The industry has a clear view, outlined in *Sustaining Australia: Food and Grocery Manufacturing 2030*, of its role in the post-COVID19 recovery through an expansion of domestic manufacturing, jobs growth, higher exports and enhancing the sovereign capability of the entire sector.

## OVERVIEW

In line with growing community, government and shareholder expectations, our members are taking meaningful action to address sustainability and environmental impacts of their products and activities. Companies who make genuine investments in improving the sustainability of their products understandably want to communicate this so that consumers can make informed choices based on reliable information.

The risk to businesses from making sustainability (or other) claims that are not verifiable, or potentially misleading to consumers is real. This includes potential breaches of Australian Consumer Law (**ACL**) and significant reputational risk. Substantial resources are therefore committed by our member companies to review and seek advice in relation to sustainability and environmental claims, ensuring that consumer law is complied with and other legal risks associated with those claims are well managed.

This submission to the Senate inquiry into greenwashing addresses key areas that the Australian food and grocery sector is actively pursuing regarding sustainability claims.

## ISSUES

### COMMITMENT TO SUSTAINABILITY

The long-term future of the food and grocery sector is intricately connected to the land, water, and agriculture, all of which are susceptible to the impacts of a changing climate. It is imperative to acknowledge that climate change is a scientific reality, and inaction poses significant risks to our industry.

Efforts to address climate change span the entire supply chain, encompassing energy sources and extending to consumption patterns. Our industry recognises its responsibility in reducing emissions and promoting sustainability on a broader scale. Many member businesses have already taken substantial steps and made investments to decrease their emissions intensity, embrace ethical sourcing, implement sustainable packaging alternatives, develop and support circular economies, reduce food waste and increase waste diversion and recycling across supply chains.

In order to ensure transparency and accountability, it is vital for companies, including publicly listed ones and those involved in capital raising, to adopt Environmental, Social, and Governance (**ESG**) reporting. This enables them to effectively communicate their positive initiatives to consumers and provide reliable information, contributing to sustainable growth by brands and companies. By embracing ESG reporting, businesses can demonstrate their commitment to environmental and social responsibility, to provide transparency to stakeholders and foster long-term sustainable growth.

## Examples of industry-led action

The industry is also acting to build a circular economy for packaging in Australia, with the AFGC leading the development of the National Plastics Recycling Scheme (**NPRS**), a project being developed to tackle hard-to-recycle soft plastic packaging out of waste streams and giving it new life.

The NPRS project will make it easier for people to recycle soft plastics at home and creates a new advanced recycling industry here in Australia that can turn used soft plastics back into new food-grade packaging. This creates a circular plastics loop and cleaner recycling streams for all materials, including paper and cardboard. The NPRS project unites brand owners, manufacturers, recyclers and consumers in one powerful, nationwide scheme to transform our plastics problems into circular solutions.

Other examples of industry and NGO commitment and collaboration is the development of traceability systems and programs including Fairtrade, Forest Stewardship Council (**FSC**) for responsible forest management and the Roundtable on Sustainable Palm Oil (**RSPO**) for palm oil certification.

## TRACEABILITY IS A PRE-REQUISITE

To empower brands to make sustainability claims with confidence and promote genuine environmental stewardship, it is crucial to provide substantiation and eliminate the risk of greenwashing. By ensuring that claims are supported by verifiable evidence, brands can build trust with consumers and contribute to a sustainable future.

For example, the traceability of all food and grocery ingredients is not negotiable for brand owners, as all ingredients procured by them must be able to be traced from farm to packet using batch codes and verified traceability systems. Without these systems in place, products will not be accepted for sale in Australian retail outlets.

With the industry moving toward using recycled materials from consumer waste to create packaging that is safe for direct contact with food, brand owners require the same level of traceability, or they will not be able to procure the material. An external certification process would enable brand owners to validate that post-consumer packaging does, in fact, contain the stated recycled content percentage, enabling them to:

- assess the risk of modern slavery in the supply chain
- meet legislated modern slavery reporting requirements
- enact recalls and trace the origin of the post-consumer packaging material
- ensure the cost premium charged for the packaging does in fact, contain the specified percentage of recycled content
- make on-pack claims that are supported by an externally certified third-party audit process

The absence of recycled traceability is a barrier to brand owners from procuring packaging containing claimed recycled content, hence stifling the creation of a circular economy.

To be truly transparent, it is essential that a whole of supply chain approach is taken, requiring collaboration between all levels of government and jurisdictions, the Australian Packaging Covenant Organisation (**APCO**), and all stakeholders along the packaging supply chain from packaging companies, brand owners, retailers, collectors, materials recovery facilities and secondary processors. To address issues such as:

- the introduction of standards along the recycling supply chain to improve the quality of recycle, increase recycling rates and enable greater usage of recycled content
- nationally consistent kerbside recycling systems are essential to increase recovery and recycling and reduce community confusion and the resultant kerbside contamination
- the inclusion of traceability standards in council recycling contracts and product stewardship schemes to ensure claimed recycling outcomes and recycled content is accurate and verifiable

Without a nationally harmonised waste and recycling system, brand owners will struggle to make substantiated sustainability or recycling claims. One initiative to overcome this is APCO's Australasian Recycling Label (ARL) and their Packaging Recyclability Evaluation Portal (**PREP**) tool, which is an online platform APCO members use to verify whether their packaging is recyclable within Australia, based on meeting a threshold of technical recyclability, council kerbside collection reach and end market development.

## GREENHUSHING IS A PROBLEM

The counter of greenwashing is the practice of 'greenhushing,' where businesses underreport their sustainability initiatives for a number of reasons. This not only erodes trust but also hampers ambition and innovation. Moreover, greenhushing limits the benefits of sustainability and hinders businesses from communicating meaningful and environmentally beneficial initiatives.

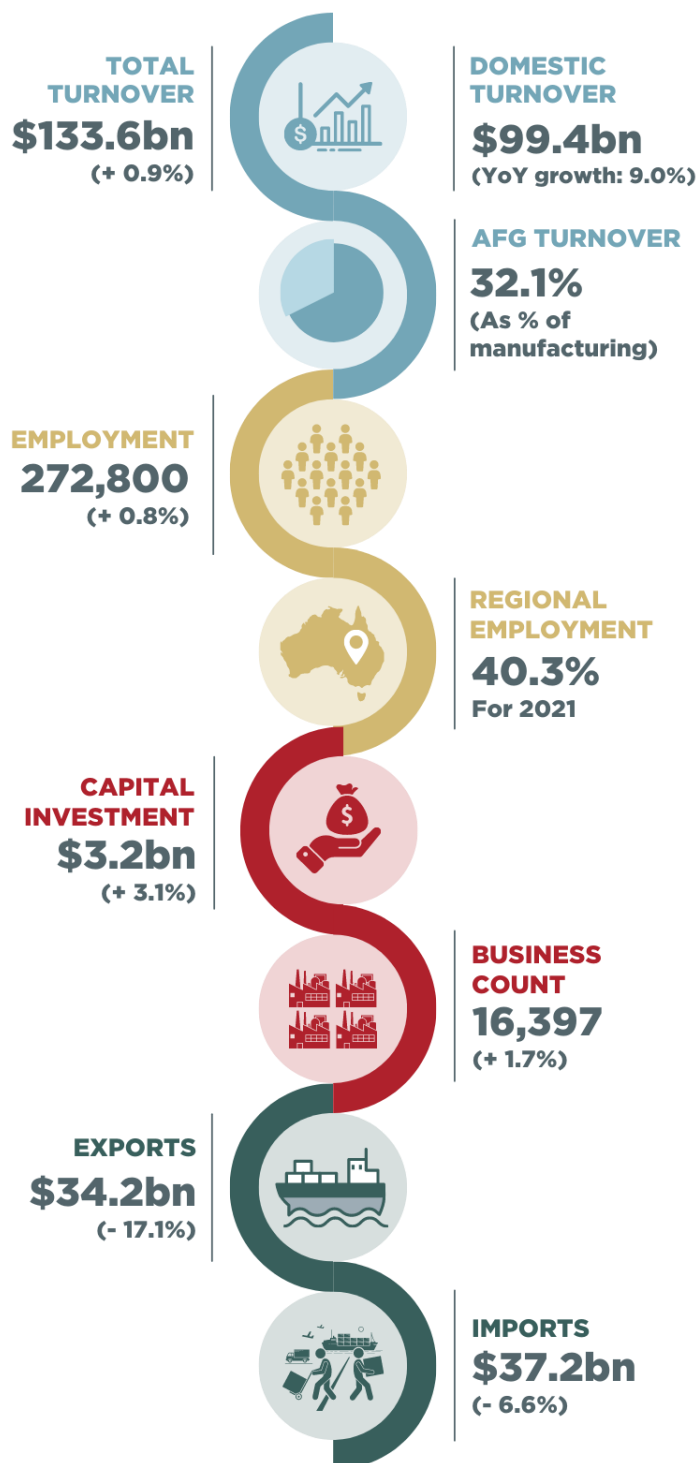
## CONCLUSION

Our members hold a genuine commitment to sustainability. However, it is crucial to establish traceability and standards to enable verification that underpins their dedication to this cause. We fully endorse efforts to develop more rigour around verification, recognising that implementing such change requires time and resource.

We strongly support the Australian Competition and Consumer Commission (**ACCC**) signalling the development of industry guidance, particularly in light of their recent greenwashing report. We believe that the current regulatory framework, encompassing the Australian Consumer Law, is an effective mechanism to address instances of false and misleading claims.

# State of Industry 2020-21

AUSTRALIAN FOOD & GROCERY COUNCIL



The figures on this page exclude the fresh food sector and are based on 2020-21 ABS data.

1: This is total number of employees, head count basis and does not include seasonal employees.

2: Gross fixed capital formation for food, beverage and tobacco manufacturing subsector is taken as indicator of capital investment.