

Australian Food and Grocery Council SUBMISSION

APRIL 2010

TO:
SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE

IN RESPONSE TO:
INQUIRY INTO THE FOOD STANDARDS AMENDMENT
(TRUTH IN LABELLING – PALM OIL) BILL 2009



1. PREFACE

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

The membership of AFGC comprises more than 150 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors. (A list of members is included as Appendix A).

With an annual turnover of \$100 billion, Australia's food and grocery manufacturing industry makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

Manufacturing of food, beverages and groceries in the fast moving consumer goods sector¹ is Australia's largest and most important manufacturing industry. Representing 28 per cent of total manufacturing turnover, the sector is comparable in size to the Australian mining sector and is more than four times larger than the automotive sector.

The growing and sustainable industry is made up of 38,000 businesses and accounts for \$49 billion of the nation's international trade. The industry's total sales and service income in 2007-08 was \$100 billion and value added increased to nearly \$27 billion². The industry spends about \$3.8 billion a year on capital investment and over \$500 million a year on research and development.

The food and grocery manufacturing sector employs more than 315,000 representing about 3 per cent of all employed people in Australia paying around \$14 billion a year in salaries and wages.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost half of the total persons employed being in rural and regional Australia³. It is essential for 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.

1 Fast moving consumer goods (FMCG) includes all products bought almost daily by Australians through retail outlets including food, beverages, toiletries, cosmetics, household cleaning items etc.

2 AFGC and KMP, State of the Industry 2009, Essential information: facts and figures. Australian Food and Grocery Council, Oct 2009.

3 About Australia: www.dfat.gov.au

1.	PREFACE	2
1.	SUMMARY	4
2.	BACKGROUND	5
2.1.	Palm Oil	5
2.2.	Palm Oil Industry	6
2.3.	Round Table on Sustainable Palm Oil	6
3.	SPECIFIC COMMENTS	8
3.1.	Consumers Right to Make an Informed Choice	8
3.2.	Listing Palm Oil as a Vegetable Oil	9
3.3.	Saturated Fat	9
3.4.	Impact on Wildlife	10
3.5.	Sustainable Palm Oil Production	10
3.6.	Encouraging Manufacturers to use Sustainable Palm Oil	11
	APPENDIX A - AFGC members	12
	APPENDIX B - WWF's palm oil accreditation process	13

1. SUMMARY

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to make a submission to the Senate Community Affairs Legislation Committee inquiry into the Food Standards Amendment (Truth in Labelling – Palm Oil) Bill 2009.

Palm oil is an important ingredient for the food and grocery manufacturing industry and is used in many products such as baked goods, confectionery and shampoos and crèmes.

AFGC strongly supports the need to produce and source palm oil in a more sustainable way minimising environmental impact. We encourage all food and grocery manufacturers to source certified sustainably-produced palm oil to ensure the impact on the environment is minimised but the economic development benefits to the countries and communities of the palm oil industry can continue.

AFGC does not support the proposed Truth in Labelling – (Palm Oil) Bill 2009 for a number of reasons:

1. The approach fails to adhere to the Council of Australian Governments (COAG) agreement on the process for the development of policy and regulation through the Australia New Zealand Food Regulation Ministerial Council (ANZFRMC) and attempts to override State and Territory laws.
2. Industry supports mandatory labelling of food products that informs consumers as to the ingredients of a product where they relate to health and safety. From a health perspective, it is important for consumers to know how much saturated fat is in a product but not where the saturated fat is sourced. Pursuing the adoption of mandatory labelling for ingredients such as palm oil for environmental reasons that do not impact on the health or safety of the consumer product would open a **floodgate of requests** from activists in a wide range of areas – for example: fair-trade, animal welfare, human rights, agricultural practices etc. The risk is that this would lead to the amount of information on each label being so large and confusing that critical information relating to health and safety would be compromised.
3. Legislation calling for mandatory labelling of palm oil in food and grocery products is an ad hoc response, at best, to the significantly larger issue of deforestation and, accordingly, is unlikely to be a panacea. A proactive and strategic response working with local communities, governments and business to improve the current situation is more likely to achieve tangible results for both the environment and the social landscape. It is important to remember that deforestation occurred at unacceptable levels long before the advent of palm oil as a major ingredient in food and grocery products and as a biofuel.
4. There is **no proof** or even any evidence that would suggest that labelling palm oil in Australia would change the level or extent of deforestation in Indonesia or Malaysia – or that labelling would save one orangutan or tiger.

2. BACKGROUND

2.1. Palm Oil

Palm oil is obtained from the flesh ("mesocarp") of the oil palm fruit. Like olive oil, palm oil is a fruit oil. From the fruit, two distinct types of oils are produced - palm oil and palm kernel oil. Both are edible oils but with very different chemical composition, physical properties and applications. Each palm fruit produces about 90 per cent palm oil and 10 per cent palm kernel oil.

Palm oil is used primarily in food products: cooking oil, margarine, milk fat replacer and cocoa butter substitute. Palm oil has specific qualities that make it an essential product within the food processing sector. It does not require hydrogenation to achieve a solid state for manufactured products, which helps to retain a level of solidity and texture that consumers have demanded. Palm kernel oil is mostly used in the oleochemical industry for making soap, detergent, toiletries and cosmetics.

The industrial use of palm oil has continued to grow in recent years. While the rapid growth in the industrial use of palm oil before 2003/2004 was due to the expansion of the oleo chemical industry in Southeast Asia, recent increases are linked to the rise in petroleum prices beginning in 2003/2004.

Palm oil is increasingly used as a fuel, especially in the European Union. The European Union became the second largest importer of palm oil in 2005 just behind China, almost exclusively on the basis of its use as a fuel. Industrial use of palm oil in the European Union for 2004/2005 is estimated at 1.3 million tonnes, with about one million of that for fuel. This fuel is mostly used for generating electricity in power plants rather than in automobiles or trucks⁴.

The annual change in food use since 2000/2001 has averaged 7 per cent per year while changes in industrial use have been a more robust 18 percent. Food use still dominates the overall use of palm oil at 74 per cent of production (2005), but this is down from 83 per cent of production in 2000/2001.

Given its price advantage relative to other vegetable oils, palm oil is likely to receive increasing attention as an alternative fuel. Such attention is driven by high petroleum prices and efforts to reduce dependence on fossil fuels.

Palm oil is traded on the global market and the current market price is around A\$750 per tonne. The cost of RSPO (Roundtable on Sustainable Palm Oil) identity preserved palm oil can command an additional premium of up to 25 per cent.

Apart from the oil, every part of the palm can be utilised. Palm kernel residue is used in animal feed. The shell, after cracking and removing the kernels, is used as a fuel in many industrial burners and to produce activated charcoal. The fronds, trunks and empty fruit bunches have been used to make fibre boards and chipboards for furniture and even fibre mats to fight erosion.

⁴ United States Department of Agriculture Oilseed Circular Series FOP 9 - 05 September 2005

2.2. Palm Oil Industry

According to Hamburg-based Oil World trade journal⁵, in 2008 global production of oils and fats stood at 160 million tonnes. Palm oil and palm kernel oil were jointly the largest contributor, accounting for 48 million tonnes or 30 per cent of the total output. Soybean oil came in second with 37 million tonnes (23 per cent).

As a result of improvements to oil palm productivity, Malaysia and Indonesia are the leading producers, accounting for around 86 per cent of global production.

In 2008, Malaysia produced 17.7 million tonnes of palm oil on 4.5 million hectares of land, and was the largest exporter and second largest producer (behind Indonesia), employing more than 570,000 people. About 60 per cent of palm oil exports from Malaysia are shipped to China, the European Union, Pakistan, United States and India. The palm oil industry represents a significant part of the Indonesian and Malaysian economies and is a catalyst for rural development and political stability. Many social initiatives use profits from palm oil to finance poverty alleviation strategies.

Palm oil has also been widely acknowledged as an effective industry for alleviating poverty and for efficient land use in developing nations.

Research has shown that palm oil plantations are not the primary or major cause of deforestation in Indonesia and Malaysia⁶. The research showed that palm oil accounted for only 20 to 30 per cent of forest land clearing in these countries.

The palm oil industry has helped to reduce rural poverty through such development programs as the Federal Land Development Authority (FELDA) schemes in Malaysia and Plasma-Nucleus Estate Programs in Indonesia. Other palm oil producing countries are Nigeria, Thailand, Colombia, and Papua New Guinea.

Palm oil is an extremely efficient crop producing up to 10 times more oil per unit area than soybean, rape or sunflower producing about 30 per cent of the world's vegetable oil on less than 5 per cent of the total area under oil crops.

2.3. Round Table on Sustainable Palm Oil

AFGC is a supporter of the Roundtable on Sustainable Palm Oil (RSPO) and encourages all member companies to become members and source certified sustainable palm oil. The RSPO was formed in 2004 with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

RSPO is a not-for-profit association that unites stakeholders from seven sectors of the palm oil industry – oil palm producers, palm oil processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental or nature conservation NGOs and social or developmental NGOs – to develop and implement global standards for sustainable palm oil. RSPO provides equal rights to each stakeholder group to bring group-specific agendas to the roundtable, facilitating traditionally adversarial stakeholders and business competitors to work together towards a common objective and making decisions by consensus.

⁵ Hamburg-based Oil World trade journal

⁶ Stern Review of the Economics of Climate Change, International Institute for Environment and Development

RSPO has developed a set of standards called the Principles and Criteria (P&C) that define the practices for sustainable palm oil production. These standards address the legal, economic, environmental and social requirements of producing sustainable palm oil.

RSPO's Principles and Criteria (P&C) for sustainable palm oil production are based on these principles:

1. Commitment to transparency
2. Compliance with applicable laws and regulations
3. Commitment to long-term economic and financial viability
4. Use of appropriate best practices by growers and millers
5. Environmental responsibility and conservation of natural resources and biodiversity
6. Responsible consideration for employees and for individuals and communities affected by growers and mills
7. Responsible development of new plantings
8. Commitment to continuous improvement in key areas of activity.

Certified Sustainable Palm Oil

There are currently three Certified Sustainable Palm Oil (CSPO) models that are endorsed by the RSPO, namely:

Identify Preserved: This model requires complete segregation of CSPO from the start of the chain through to delivery in separate tanks, ships, trucks and pipelines. This allows the end user to state that a product "contains only RSPO-certified sustainable palm oil". The approximate premium over regulation palm oil is approximately \$200 per tonne.

Mass Balance: This model allows mixing of CSPO with conventional palm oil at any stage in the supply chain, provided that quantities of both types of oil are monitored and tracked. End users who adopt this approach may claim that their products "support the production of RSPO-certified sustainable palm oil."

GreenPalm Certificates: This model is where certified palm oil is represented by tradable certificates. The producers of CSPO can sell certificates to end users thus rewarding producers for adopting sustainable practices without the need for segregation of the oil through the supply chain. End products using certificate-traded palm oil may claim that they "support the production of RSPO-certified sustainable palm oil." During March 2010, GreenPalm certificates were trading at around \$US16/tonne of crude palm oil.

3. SPECIFIC COMMENTS

AFGC makes the following comments in relation to the specific principle issues to be considered by the Senate Community Affairs Legislation Committee.

3.1. Consumers Right to Make an Informed Choice

“The rights of consumers to be provided with accurate and truthful information to enable them to make an informed choice about the food products they are eating and purchasing.”

AFGC strongly supports the consumers’ right to choice and access to information to assist that choice. However, it is not incumbent upon the food industry, through the mandatory labelling of products, to meet all information needs of all consumers all the time [except if the health and safety of the product is the issue]. The food industry cannot practically do this. Moreover, it is certainly not incumbent upon government to mandate the availability of information on food labels, unless there is a clear, public health and safety issue and strong evidence that labelling can address it more cost effectively than alternative measures.

Food labels, first and foremost, have to represent accurately to the consumer the nature and composition of the food product. **Food labelling should not be used as a *de facto* tool to force products off the market, or prevent the entry of products onto the market for reasons not associated with the health or safety of the product itself.**

Product labels perform several functions. However, the core function is to provide specific information to the consumer about the nature and composition of the product allowing them to make an informed decision. The information includes specific data such as product name, variety, flavour, description of the product, and guides to consumption but most importantly to provide nutrition health and safety information.

AFGC strongly supports the proposition that consumers be provided with accurate and truthful information on products in relation to health and safety issues. It is our view that mandatory labelling of products to include information on products like palm oil goes beyond the core role of the label in providing key information to consumers that may have impacts on health and safety. Pursuing the adoption of mandatory labelling for issues such as palm oil would potentially result in calls for a range of other non health and safety issues, leading to a seemingly endless list of information. The risk in this scenario could lead to the amount of information on each label being so large and complex that critical information relating to consumers health and safety may be compromised. In addition, a large proportion of food companies have toll free numbers and websites that provide additional information relating to ingredients that consumers can access.

The food industry is committed to providing information about its food products through improved technology. Extended packaging services using mobile phone technology are already operational in some parts of the world via GS1 barcodes and associated databases. In Australia, pilot projects are underway with the assistance of GS1 Australia. This type of service effectively “extends the product’s packaging” through the use of mobile technologies by allowing the consumer to access additional product information such as product characteristics and environmental profile. The system makes use of existing technology (bar codes) to provide such information. In doing so it provides a solution to:

- demand from some consumers for additional information in relation to non health and safety issues or information that only effect small numbers of people
- limited space on packaging
- static nature of pack information.

Finally, the AFGC is of the view that all regulation should be consistent with the COAG principles of good regulation. Food labelling regulatory policy needs to be framed around two key questions:

- what is the justification for mandating the provision of information on food labels
- what is the justification for prohibiting the provision of information on food labels.

3.2. Listing Palm Oil as a Vegetable Oil

“That allowing palm oil to be listed as a “vegetable oil” on food packaging is misleading to consumers.”

Palm oil is obtained from the flesh ("mesocarp") of the oil palm fruit. Like olive oil, palm oil is a fruit oil.

From the fruit, two distinct types of oils are produced - palm oil and palm kernel oil. Both are edible oils but with very different chemical composition, physical properties and applications. Each palm fruit produces about 90 per cent palm oil and 10 per cent palm kernel oil.

The AFGC view is that palm oil should be regarded as a vegetable oil the same way that olive, canola and sunflower oil are regarded as vegetable oils. The oil is produced from (the seed of) a plant regardless of whether the plant produces a vegetable or a fruit. The intent is to distinguish between the origins of the oil being from plant as opposed to animal. The Australia New Zealand Food Standards Code Standard 1.2.4 clause 4 states:

Ingredients must be declared in the statement of ingredients using -

- (a) the common name of the ingredient; or*
- (b) a name that describes the true nature of the ingredient; or*
- (c) where applicable, a generic name set out in the Table to this clause.*

Table to Clause 4 states that in relation to fats or oils:

1. Must be qualified as to whether the source is animal or vegetable
2. Where the source of vegetable oil is peanut, soy bean or sesame the specific source name must be declared
3. In the case of dairy products, including ice-cream, the source of animal fats or oils must be specifically declared
4. Must not be used for Diacylglycerol oil.

It is important to note that the requirement to specifically declare peanut, soy bean or sesame seed oils is due to health and safety issues, and that some consumers are allergic to such foods and for such foods to be declared in order to ensure that consumers are not unwittingly exposed to the risk of a potentially fatal allergen induced anaphylactic reaction.

3.3. Saturated Fat

“That palm oil is considered high in saturated fats and consumers should be made aware if it is used in foods they are eating for health reasons.”

Information relating to fat and other nutritional information already exists on the product nutritional information panel. In terms of consumer health, the issue relates to the overall amount of saturated fat not its source. The nutrition information panel includes information about the total amount of fat present in the product along with the total amount of saturated fat. Most fats and oils contain a mixture of

saturated and unsaturated fats with some also containing trans fatty acids, which are known to be the most harmful to good heart health.

Palm oil is high in mono-unsaturated fats, which are considered advantageous for a lower risk of heart disease. In addition, it does not require hydrogenation, reducing the incidence of trans fatty acids which can be harmful to health.

Clearly, consumers already have the information they need on the total amount of saturated fats in the products they buy.

3.4. Impact on Wildlife

“That the impact of palm oil production on wildlife, specifically Orangutan’s in South East Asia is significant unless it is done sustainably.”

The clearing of land for agricultural purposes has for thousands of years contributed to economic development. While there is without doubt a level of land clearing and associated impacts in developing countries for agricultural crops such as rice, soybeans and palm oil, clearing of land has not and is not undertaken solely for these purposes. Land clearing is undertaken for a range of other reasons including for infrastructure such as community development, roads, schools and hospitals. In addition, palm oil plantations are not primarily located on land that has been cleared specifically for palm oil. Palm plantations have in some cases taken up land that has been previously cleared but no longer used for crops such as rice, rubber and soybeans and on land that has been logged to source timber.

Deforestation (both legal and illegal) has been an ongoing concern in many developing countries.

There is no proof or even any evidence that would suggest that labelling palm oil in Australia would change the level or extent of deforestation in Indonesia or Malaysia – or that labelling would save one orangutan or tiger.

The end result of land clearing (for whatever reason) is that it obviously has an impact on the environment. There is significant opportunity to improve practices to ensure the negative impacts are minimised. It is for this and a number of other reasons the AFGC strongly supports the RSPO, the production of sustainable palm oil and encourages the industry to source and support the developing market for such products.

3.5. Sustainable Palm Oil Production

“That sustainable palm oil can be produced with low impact on the environment and wildlife and with better labour laws on plantations.”

Palm oil is an extremely efficient crop producing up to 10 times more oil per unit area than soybean, rape or sunflower producing about 30 per cent of the world’s vegetable oil on less than 5 per cent of the total area under oil crops. If there was to be a significant and major change to the production of palm oil to some other equivalent product the environmental impacts of such a change would need to be carefully assessed to prevent a more detrimental outcome.

AFGC agrees that there is scope to improve palm oil production to make it more economically, environmentally and socially sustainable.

Mandatory labelling of products that include palm oil is unlikely to be a panacea for the problem of deforestation. The issue is much larger and driven by a complex range of factors. An isolated and ad hoc approach mandating users of palm oil to notify consumers of the inclusion of the product,

regardless of the amount/percentage, is an inefficient policy response. A voluntary approach that improves production processes, builds capacity across the supply chain from local communities to global manufacturers is what can make a difference to the sustainable production of palm oil.

3.6. Encouraging Manufacturers to use Sustainable Palm Oil

“That manufacturers should be encouraged to use sustainable palm oil in their production process and can subsequently use the status of “Certified Sustainable Palm Oil” as a business benefit.”

AFGC encourages food and grocery manufacturers to support the RSPO and the use of sustainable palm oil in their production processes.

At the present time, there is not enough RSPO Palm oil on the market to meet the ongoing needs of food manufacturers. AFGC members have committed to using RSPO palm oil as it becomes available. The accreditation process for the RSPO can be lengthy and sometimes takes several years to complete. Please see the WWF’s lengthy accreditation process in **Appendix B**. Moving to sustainable palm oil use will take time and planning, both from the agricultural sector and both manufacturers.

Industry is committed to this process.

The AFGC view is that food labelling policy should recognise that the market can and does provide for the further information needs of consumers. The challenge, therefore, is to establish the appropriate balance between regulatory measures and market measures, and for food regulatory policy to reflect that. The industry supports collaborative and proactive mechanisms like the Roundtable for Sustainable Palm Oil (RSPO) to increase the availability of sustainable produced palm oil and the voluntary labelling of such.



APPENDIX A - AFGC MEMBERS

As at 16 March 2010

Arnott's Biscuits Limited
The Kettle Chip Company Pty Ltd
Asia-Pacific Blending Corporation P/L
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
Church & Dwight (Australia) Pty Ltd
Clorox Australia Pty Ltd
Coca-Cola Amatil (Aust) Limited
SPC Ardmona 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
Harvest FreshCuts Pty Ltd
Hela Schwarz
Hoyt Food Manufacturing Industries P/L

Johnson & Johnson Pacific Pty Ltd
Pfizer Consumer Health
Kellogg (Australia) Pty Ltd
Day Dawn Pty Ltd
Specialty Cereals Pty Ltd
Kerry Ingredients Australia Pty Ltd
Kikkoman
Kimberly-Clark Australia Pty Ltd
Kraft Foods Asia Pacific
Lauke Flour Mills
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
Tate & Lyle ANZ
The Smith's Snackfood Co.
The Wrigley Company

Tixana Pty Ltd
Unilever Australasia
Wyeth Australia Pty Ltd
Yakult Australia Pty Ltd

Associate & Affiliate Members

Accenture
Australia Pork Limited
Australian Dietetic Services
ACI Operations Pty Ltd
Amcor Fibre Packaging
*ASMI
BRI Australia Pty Ltd
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
*Go Grains Health & Nutrition Ltd
IBM Business Cons Svcs
innovations & solutions
International Business Systems
KPMG
Leadership Solutions
Legal Finesse
Linfox Australia Pty Ltd
Meat and Livestock Australia Limited
Monsanto Australia Limited
New Zealand Trade and Enterprise
Sue Akeroyd & Associates
Swisslog Australia Pty Ltd
The Nielsen Company
Touchstone Cons. Australia Pty Ltd
Visy Pak
Wiley & Co Pty Ltd

PSF Members

Amcor 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

APPENDIX B – WWF ACCREDITATION PROCESS

THE RSPO JOURNEY BEGINS

Every company's journey to certification will vary because of location, size and readiness. These are the various stages that most companies will have to go through to reach certification:

Mainstreaming: The first phase of the process typically involves briefings on the RSPO and its Principles and Criteria with the plantation staff (and associated smallholders) through meetings and workshops. One key element of the RSPO process is senior level commitment to the RSPO, and the commitment must be clearly communicated to all staff.

Baseline Audit: During this period the company will undergo a Baseline Audit in order to identify the gap between the company's current performance and that required by the RSPO.

This initial audit could be performed by an in-house review panel, an independent consultant, or a Certification Body. Typically, the auditors would interview management and workers and review management documents, exploring legal compliance, management procedures, health and safety, and environmental and social policies. The audit would include spot checks of the physical estate to see if there are any problematic practices such as poor worker housing conditions.

Preparing for Certification: A Certification Taskforce is set up to close the gaps and prepare the estates for certification. Costs are tallied, resources allocated and staff are assigned to make things happen. Activities could include high conservation value assessments, identification of environmental aspects and impacts, restoration of riparian buffer zones, installing boundary markers for land holdings, briefings for surrounding communities and resolving land disputes. All activities are carefully documented. This period could take from 6 months to 3 years.

Pre-audit: Once the company is satisfied that it is sufficiently prepared, a Certification Body may be hired to undertake a pre-audit to ensure that all the gaps identified in the Baseline Audit have been closed. At least 30 days before the commencement of the Audit, the company will post notification of its intent to undergo a Certification Audit and solicit public comments.

Certification Audit: The RSPO Certification Audit will be undertaken by a team of specialists who will go through each Principle and Criterion and measure the company's performance. They will interview as many external stakeholders as possible, including communities, government officials, smallholders and NGOs, and undertake due diligence on the other plantations that are part of the company's holdings. They will check that the other plantations are not undertaking major breaches of the Principles and Criteria and confirm that these estates are also on the journey to RSPO certification within a reasonably ambitious timeframe.

The audit report will reveal any 'major non-compliances', and these must be addressed by the company before certification can be awarded. If no major non-compliances are found, the final Audit Report will be published on the RSPO website, with notification of a 30 day public comment period. If there are no complaints, certification will be awarded to the company for that certification unit. If there are complaints, the certification process will be halted until it is investigated by the Certification Body or the RSPO itself.

Only when all non-compliances or complaints are resolved will the RSPO allow the certification to be awarded.

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