LATMA CONFERENCE

"Sustainability, Covenants, Deposits, Carbon - and More"

A Packaging Perspective

-or-

What labellers need to know

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Australia - The Changing Packaging Landscape

- **Packaging and the Environment**:
  - A major challenge for 30+ years.
- **Significant changes have occurred**:
  - Retailers – Now the largest brandowners.
  - Imports – Of "empty packaging" growing rapidly from low cost countries (China). Margins reduced.
  - China – The global price driver for many recyclates.
  - Australian Produce – Moves to export in bulk and package overseas.
  - Environmental Issues – Increased activism. A broader focus:
    - From recycling and waste-to-landfill to design and greenhouse.
  - Climate Change – Attention now turning to "lifestyle" issues:
    - Packaging is an easy target.
    - Driven by aware, influential consumers.

O-I Australia: Lean + Green™ Lightweight Wine Bottle

PCA

WHAT'S HAPPENING IN PACKAGING

Cadbury Block Range

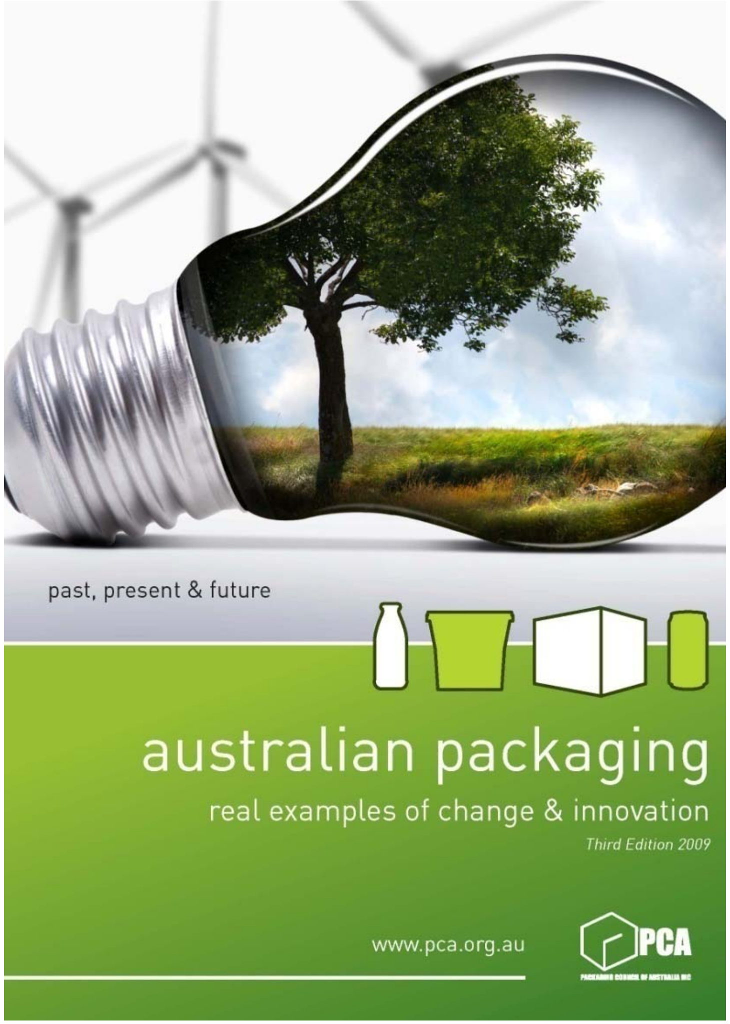
Amcor – Broccoli Chillfresh Pack

BioPak - BioNet

Australia – Other Sustainability Examples

2010 – Fourth Edition: Nearly 70 company examples:

- Amcor
- Australia Post
- Cadbury Schweppes
- Carter Holt Harvey
- Cheviot Bridge
- Chep Asia Pacific
- Coca-Cola Amatil
- Colorpak
- Detpak
- Formrite Group
- Huhtamaki Australia
- Inghams Enterprises
- Kraft Foods
- Madura Tea
- MeadWestvaco
- National Foods
- Nicholson Fine Foods
- NCI Packaging
- MYOB
- O-I Australia
- Pace Farms
- Selleys
- Telstra
- VIP Packaging
- Visy
- Viscount Plastics
- Zork



What’s Happening Overseas

- Company/Industry Policies and Goals:
  - **Wal-Mart** – Packaging Scorecard.
  - **European Retailers** – Launch environmental code of conduct.
  - **ConAgra Foods** – 2015 goals include 10% packaging reduction.
  - **Marks and Spencers** – The most sustainable retailer by 2015.
  - **UPS** – Introduces Eco Responsible Packaging Program for suppliers.
  - **PUMA** – 25% reduction in carbon, energy, water and waste.
  - **Sainsbury’s** – Reduce packaging by one third.
  - **P&G** – 100% renewable or recyclable materials for their products and packaging.
  - **Consumer Goods Forum** – 650 companies from 70 countries – Jointly chaired by retailers/brandowners – packaging sustainability a priority.

The Examples – The Responses

- **The responses reveal**:
  - **Packaging** – An early and easy target.
  - **A Variety of Approaches** – Recyclable. Re-usable. Lightweighting. Carbon footprint. Biodegradable. Not always in concert.
  - **Supply chain differences :**
    - Retailers - Shelf ready packaging.
    - Manufacturers - Brand image and product information.
    - Distributors - Packs which maximise logistics efficiencies.
  - **The Drivers:**
    - Consumers, retailers, brandowners - supply chain pressures.
    - The threat of government regulation - a factor but not a major driver.
- **Sustainability is no longer a "fad."**
  - It's becoming mainstream.
  - "Not a project but a way of doing business."
  - Reducing costs – doing more with less.

The Australian Packaging Covenant

- **The third Covenant:**
  - Effective from July 2010.
  - 670 signatories – 575 brandowners.
- **The Framework – “co-regulatory”– two tiers:**
  - Covenant – Not obligatory to sign – less onerous.
  - The NEPM – “The underpinning regulation” – Targets brandowners – “take back” provisions – more demanding.
- **The two tiers are not equal:**
  - Encourages companies to sign the Covenant.
  - The NEPM is an essential component - “the glue, the stick, the whip.”
  - Brings supply chain pressures into play.
- **The Covenant focus has shifted:**
  - Covenant 1 – 1999-2005 – Waste to landfill.
  - Covenant 11 – 2005-2010 – Recycling.
  - Covenant 111 – 2010 – Recycling; resource use; litter; design; emissions.

The Covenant - Issues for Labelling Companies

- **Do you sign the Covenant?**
  - Not obligatory, but...
  - ...potential for supply chain pressure.
  - Financial contribution.
  - Implement Sustainable Packaging Guidelines.
- **Who is responsible for your Covenant commitments ?**
  - Handles internal issues, develops Action Plan, responds to customer concerns/issues.
  - Involvement of marketing/sales reps.
  - “Education” of staff.
- **Relationship with your customers:**
  - Your “brandowner” customers will look to you for solutions/reassurance.
  - What advice do you provide them?
  - Possible shift in material usage.
    - Supply chain pressure to move away from some materials?
    - Implications for labelling.
- **CEO to sign off on Action Plans.**

Container Deposits – The Beverage Industry

- **An issue under constant debate over the last 30 years:**
  - 1975 – South Australia introduced container deposits – now 10 cents.
  - Numerous public enquiries.
  - NT passed legislation last month.
  - Statements from Victorian and the next NSW Government supporting container deposits.
  - Ministers (EPHC) have initiated a further enquiry for later this year.
- **Politics – not good policy – is the driver:**
  - An important issue for the greens.
- **The beverage industry response:**
  - Heightened level of concern – now believes governments likely to act.
  - Therefore seeking a "game changer."
  - May seek to raise substantial additional funds to forestall container deposits.
- **Issue for major suppliers - You may be "encouraged" to contribute to these additional funds. Watch this issue closely!**

Product Stewardship

- National Product Stewardship Legislation about to be introduced into Parliament.

- Televisions and Computers – The first products to be covered by this legislation.
  - Tyres will be the next cab off the rank.

- The legislation will bring a whole new range of products (and their packaging) under potential scrutiny.

- Represents a policy shift – an attempt to make industry take responsibility for its problem areas rather than relying solely on regulatory intervention – although that remains an option.

Competitive Pressure – Sustainability, Supply Chains and Retailers

- Australian Retailers – Generally have been sustainability "laggards":
  - Compare; Wal-Mart, Tesco and Sainsbury (UK) and Casino (France).
  - Stimulated measurement and identified opportunities.

- But things are changing:
  - Woolworths and ALDI have produced sustainability guidelines.
  - Coles – not yet active on this issue.

- The consequences of greater retailer involvement:
  - Prospect of different and conflicting guidelines.
  - Suppliers will do the "heavy lifting" ...and bear the costs. And ...
  - .... will be compelled to respond.

Carbon Footprinting
The Next Big Thing?

- Likely to be attractive. Why?
  - Climate change – Key policy issue.
  - Traditional areas – recycling, lightweighting – now offer limited gains.
  - A more "holistic" approach.
  - The French "Grenelle 11" Bill – refers to on-pack carbon labelling.
  - Global retailers (e.g.Tesco) active - but not yet Australian retailers.
    - Although ALDI has carbon footprinted its private label olive oil.

- But significant issues remain with carbon footprinting:
  - Complex, expensive and results unreliable.
  - Packaging – accounts for 10% (approx) of carbon for food products.
  - Individual companies – often have limited influence.
  - Products often sourced from different regions and countries.

- **For Labellers – Are you able to calculate greenhouse emissions in producing your labels?**

Food Safety – Food Contact Packaging

- An issue of growing public importance and regulatory attention.
- Food Standards Australia New Zealand is putting together an "industry advisory group" on food contact packaging.
- The Food Standards Code has no detailed specifications for packaging in contact with food.
- Bisphenol A (steel cans) has been the catalyst for the increased attention.
  - Recycled content cardboard packaging has recently received adverse publicity following studies in Europe.
  - Nanotechnology is also under scrutiny.
- The end result - Likely to be tighter and more specific requirements for food contact packaging.
  - Adoption of EU/FDA standards?

The Lessons Learnt

- **What are the “takeaways” from our experience in dealing with the above issues?**
  - These issues are here to stay.
  - It is reasonable to plan on the basis that the policy and regulatory involvement of governments in these issues will grow rather than diminish.
  - **That will require responses from companies in the packaging supply chain.**
    - Seek their own commercial advantage.
    - Pressure on their suppliers to change and to foot at least part of the bill.
  - **Watch what the Australian retailers are doing:**
    - Their serious involvement will result in packaging and labelling becoming a target.
  - **Be transparent , open and public:**
    - Avoid spin and “greenwashing.”
  - **Be prepared to engage in the public debate.**
  - **As an industry association – Don’t ignore these issues but be active in framing a policy response which fits your needs.**

For further information, please visit our website:

www.pca.org.au