

Independent Limited Assurance Statement

To the Board of Directors of the Vinyl Council of Australia

The Vinyl Council of Australia (the 'VCA') has commissioned Ernst and Young ('EY') to provide independent limited assurance in order to state whether anything has come to our attention to suggest the subject matter detailed below as presented in the 2014 Product Stewardship Program Progress Report (the 'PSP Report'), has not been reported, in all material respects, in accordance with the criteria below.

Subject Matter

The Subject Matter for our assurance engagement for the year ending 31 December 2014 is the extraction of 52 selected statements and their inclusion in the PSP Report. The statements present data and activities which indicate performance of the VCA – refer to Appendix A for a list of the 52 statements.

Criteria

The VCA has set out the Criteria for reporting against the Subject Matter for each commitment as part of the Australian PVC industry's Product Stewardship Program in the form of a 'Commitment Guide' and 'Reporting and Verification Guide'.

The Responsibility of Management

The management of the VCA is responsible for the preparation and presentation of the Subject Matter in the PSP Report in accordance with the above Criteria, and is also responsible for the selection of methods included in the Criteria. No conclusion is expressed as to whether the selected methods used are appropriate for the purpose described above. Further, the VCA's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the extraction of data presented in the PSP Report based on our assurance engagement, in accordance with ASAE3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and in accordance with the terms of reference for this engagement as agreed with the VCA.

The assurance engagement was undertaken in March-May 2015, and involved the following:

- ▶ A review of the factual accuracy of the information presented in the PSP Report by examining the data and information contributing to the 52 statements (covering all commitments presented in the Criteria) and confirming that it has been extracted correctly from the VCA's internal systems
- ▶ A review of the PSP Report for any significant anomalies, particularly in relation to VCA activities and trends in data
- ▶ A review of the VCA's key systems and processes used for managing, analysing and reporting Signatory performance information
- ▶ Interviews with key personnel responsible for collating and writing sections of the PSP Report to understand the reporting process.

In addition, as part of our engagement we conducted site visits and reviewed information submitted by the following eight Signatories:

- ▶ Armstrong World Industries (Aust) Pty Ltd
- ▶ Australian Vinyls Corp Pty Ltd
- ▶ Integrated Packaging Kirrawee

- ▶ Iplex Pipelines Australia Pty Ltd
- ▶ Karndean Designflooring
- ▶ Stormtech Pty Ltd
- ▶ Welvic Australia Pty Ltd
- ▶ Deceuninck Pty Ltd

Use of our Report

Our limited assurance report has been prepared for distribution to the management and directors of the VCA. We disclaim any assumption of responsibility for any reliance on this assurance statement or on the Subject Matter to which it relates, to any person other than management and directors of the VCA, or for any purpose other than that for which it was prepared.

Independence, Competence and Experience

In conducting this assurance engagement, EY has met the requirements of our Independence Policy. EY confirms that we are not aware of any issues that could impair our objectivity in relation to this assurance engagement. EY has not had any part in collecting and calculating data, or in preparing any part of the Report.

Limitations

The scope of work covered the Subject Matter referred to above as included in the Report. EY did not provide assurance over the data. Specifically excluded from our scope was source data presented to the VCA from their signatories.

Matters Relating to Electronic Presentation of Information

Our limited assurance engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Conclusion

Based on our limited assurance procedures, nothing has come to our attention to indicate that the Subject Matter (as described above), as presented in the PSP Report, is not prepared fairly, in all material respects, in accordance with the above mentioned criteria.

Recommendations

Based on our limited assurance engagement a number of recommendations are highlighted below for VCA Executive's benefit:

- ▶ Recommendation one: Continue progress in developing the commitments and reporting.
- ▶ Recommendation two: Heighten engagement of signatories regarding audit requirements.
- ▶ Recommendation Three: Continue to strengthen communication between VCA and Signatories for better understanding of evidence requirements of signatories.
- ▶ Recommendation four: Continue to develop templates and other resources to support Signatories' to be compliant.



EY

Building a better
working world

Ernst & Young
Melbourne, Australia
29th May 2015



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Attachment A

List of statements assured as part of our limited assurance engagement:

No.	Report Section and page number	Assured statement
1	2014 Highlights p. 2	Thirteen of the 33 company signatories to the Program met all relevant commitments in 2014, up from eight in 2013.
2	2014 Highlights p. 2	In 2014, no Signatory was compliant with less than 50% of the relevant commitments
3	2014 Highlights p. 2	82% Signatories were compliant with at least 80% of the Program
4	2014 Highlights p. 2	All Signatories secured the required information from their upstream supply chain regarding VCM emissions and residual VCM
5	2014 Highlights p. 2	There was a more than 50% improvement in the number of Signatories complying with the Energy Efficiency and Greenhouse Gas Charter. Additionally, over two-thirds of Signatories have undertaken actions to improve energy efficiencies on site, or have reduction targets in place and measure their carbon emissions, up from just over half the Signatories in 2013.
6	2014 Highlights p. 2	35 healthcare facilities and almost 290 home patients were involved covering a total of approximately 96 tonnes potentially available for recovery.
7	2014 Highlights p. 2	A research project was initiated with Monash University to investigate solutions for reprocessing PVC coated fabrics and developing products to use the recycle.
8	2014 Highlights p. 2	In partnership with Australian Vinyls, VCA updated and published the Life Cycle Inventory (LCI) for Australian PVC resin in AusLCI, the national inventory database.
9	Figure 1 p. 2	Data as presented in Figure 1 Signatory compliance performance: percentage of relevant commitments fully complied with by Signatory company.
10	Figure 2 p. 3	Data as presented in Figure 2 Number of Signatories compliant with key commitments.
11	2014 Summary of Commitments p. 5	Table of 2014 Summary of Commitments
12	Commitment 1: Manufacturing Best Practice p. 6	Emissions of vinyl chloride monomer (VCM) from the Australian S-PVC resin producer were reported as 20.1 g per tonne of PVC for the period covering financial year 2014-15, complying with the target of 30 g/t PVC.
13	Commitment 1: Manufacturing Best Practice p. 6	Only one member reported VCM emissions related to the E-PVC used in the products it imported above the 1000g/t target.
14	Commitment 1: Manufacturing Best Practice p. 6	In 2014, NICNAS released its Tier II assessment of the environmental risks associated with the use of Vinyl Chloride in Australia. The assessment concluded that VCM is not expected to be of concern to the environment when used as a monomer feedstock in closed system polymer manufacturing facilities, such as what is used in Australia [1].
15	Commitment 1: Manufacturing Best Practice p. 7	In December 2014, the Japanese Ministry of Economy, Trade and Industry removed VCM from the list of priority chemicals regulated under the country's Chemical Substances Control Law because of the level of control over the use of the chemical demonstrated by the Japanese industry. It will be treated as a general chemical. Approximately 140 chemicals products are part of the list, selected based on their hazardous properties and level of exposure. VCM is the first chemical to be removed from the list [2].
16	Commitment 1: Manufacturing Best Practice p. 6	The only non-compliant Signatory reported a residual VCM content of 1.5ppm in the resin used in its product, against a target of 1ppm.
17	Commitment 1: Manufacturing Best Practice p. 6	In 2014 a 'Life Cycle Mapping' tool was created and made available to all members
18	Commitment 1: Manufacturing Best Practice p. 6	In 2014, 69% of relevant Signatories reported having an EMS in place. A further 21% reported their overseas suppliers - the actual manufacturers of the products they supply to Australia - to be ISO 14001 certified.
19	Commitment 1: Manufacturing Best Practice p. 6	Two Signatories reported either being in the process of completing an EMS or will consider it in 2015.
20	Commitment 1: Manufacturing Best Practice p. 6	(Regarding mercury avoidance) all but one Signatory was able to collect the required information.
21	Commitment 1: Manufacturing Best Practice p. 6	However, six companies (out of 27) who import product from Europe were non-compliant... they reported between 60% and 97% of the PVC products they market here as having mercury free derivatives
22	Commitment 1: Manufacturing Best Practice p. 7	Based on the recent reports, approximately 26% of European Chlorine production capacity still uses mercury cells [4].
23	Commitment 1: Manufacturing Best Practice p. 7	Globally, 128 countries are Signatories of the Convention including Australia and China, and 10 countries have now ratified it. The Convention will become a legally binding instrument once it has been ratified by at least 50 nations [5].
24	Commitment 1: Manufacturing Best Practice p. 7	A study prepared for the European Commission on the implementation of the Minamata Convention in the EU reported that VCM manufacture via the acetylene carbide process is only found in one European facility, in Slovakia [6].
25	Commitment 1: Manufacturing Best Practice p. 7	The process is, however, very common in China, accounting for about 80% of Chinese PVC capacity. Acetylene carbide production plants are also found in a handful of other facilities in India, Russia and North Korea [7].
26	Commitment 1: Manufacturing Best Practice p. 7	In 2014, five Signatories out of 33 reported that commitments were not yet embedded in their business management systems.
27	Commitment 1: Manufacturing Best Practice p. 7	In 2014, 86% of relevant Signatories reported having applied life cycle thinking during the development of new products.

No.	Report Section and page number	Assured statement
28	Figure 3 p. 8	Figure 3 Signatory Compliance for Commitment One.
29	Commitment 2: Safe and Sustainable Use of Additives p.9	Three Signatories reported having used lead additives in 2014.
30	Commitment 2: Safe and Sustainable Use of Additives p.9	The total quantity of lead stabilisers and pigments (metal content) used in 2014 was 1.9 tonnes. Based on volumes used in 2002, when the Product Stewardship Program was launched, the use of lead additives in PVC products covered by the Program has decreased by 99.8%.
31	Commitment 2: Safe and Sustainable Use of Additives p.9	An error was identified in last year's reporting, as a newly joined member misinterpreted the question on lead additives. The corrected value for the year 2013 is 3.2 tonnes of lead metal. Total use of lead in 2014 was approximately 40% less than in 2013.
32	Commitment 2: Safe and Sustainable Use of Additives p.9	consumption in EU-27 has decreased by XX % [10].
33	Commitment 2: Safe and Sustainable Use of Additives p.9	The South African Vinyl Association (SAVA) Product Stewardship Program, signed in early 2012, include a commitment to use lead free stabilisers and pigments in all PVC products by January 2015. A compliance date of January 2013 was set for the use of cadmium free additives (including pigments). The 2014 report mentioned that... [11].
34	Commitment 2: Safe and Sustainable Use of Additives p.9	Similar to last year, the use of low molecular weight phthalate was reported by six Signatories, out of the 16 reporting the use of plasticisers in their products.
35	Commitment 2: Safe and Sustainable Use of Additives p.10	Neither of these phthalates is used by the Signatories to the Australian PVC industry Product Stewardship Program.
36	Commitment 2: Safe and Sustainable Use of Additives p.10	In late 2014, NICNAS announced that it was planning to commence a Priority Existing Chemical (PEC) assessment of Butyl Benzyl phthalate (BBP) for public health risks from its use in cosmetics, children's toys and childcare articles. [16]
37	Commitment 2: Safe and Sustainable Use of Additives p.10	In 2014, the US Consumer Product Safety Commission (CPSC) announced a proposal to make more stringent an existing federal prohibition on phthalates in some children's products, including a permanent ban on the use of DINP in these applications. The proposed rule is based on the recommendations of a Chronic Hazard Advisory Panel (CHAP) report published in July 2014, and would implement a permanent ban on DINP, plus DIBP, DPENP, DHEXP and DCHP in children's toys and child care product at concentrations greater than 0.1%. If accepted, the rule would also lift a temporary ban on DIDP and DnOP [17]. In Australia, NICNAS' 2012 PEC assessment of DINP, and the recently released draft PEC report for DnOP did not highlight any particular concerns for these phthalates when used for children's toys and childcare articles [18, 19].
38	Commitment 2: Safe and Sustainable Use of Additives p.10	In 2014, all but two Signatories reported having a disclosure system in place, and half of these reported having received disclosure requests from stakeholders during the year. There was a significant improvement in compliance with this commitment from last year when the compliance rate was 71%.
39	Commitment 2: Safe and Sustainable Use of Additives p.10	The Program requires avoiding the use of end of life PVC product in sensitive applications (toys, medical devices, etc), as well as meeting performance and health and safety requirements. All relevant Signatories reported compliance with this requirement.
40	Figure 4 p. 11	Figure 4 Lead stabiliser use by Program Signatories (tonnes lead metal content).
41	Commitment 3: Energy & Greenhouse Gas Management p.12	In 2014, 88% were fully compliant and 12% partially compliant with the Charter.
42	Commitment 3: Energy & Greenhouse Gas Management p.12	Signatories that directly operate storage, distribution and manufacturing operations are expected to have implemented actions to improve energy efficiency on their site; to have plans or targets for following years; and to be measuring their carbon footprint (Scope 1 and 2 only). In 2014, 69% of relevant companies were compliant, and a further 31% were partially compliant.
43	Commitment 3: Energy & Greenhouse Gas Management p.12	Late in 2014, a Memorandum of Understanding was signed with the NSW Office of Environment and Heritage with regards to promotion of their Energy Saver Program to VCA Signatories. The Program allows participating companies to attend free training on energy efficiency, as well as the completion of a subsidised energy audit on their site, with additional support available [22].
44	Figure 5 p.12	Figure 5 Signatory Compliance for Commitment Three
45	Commitment 4: Resource Efficiency p.13	Although no formal commitment is yet in place, over three-quarters of Signatories responded to all or some of the questions.
46	Commitment 4: Resource Efficiency p.13	Thirteen Signatories reported using recoPVC in their products, while 19 Signatories reported on their post-industrial waste performance. In addition, 25 Signatories provided information on the incoming packaging used at their site and the way in which it is managed, recycled or disposed.
47	Commitment 4: Resource Efficiency p.13	In 2014, 79% of relevant Signatories reported providing information to end consumers on the safe management of their products at the end-of-life.
48	Commitment 4: Resource Efficiency p.13	In 2014, eight relevant Signatories had not yet shared this information with end consumers.
49	Commitment 4: Resource Efficiency p.13	Through continued collaboration with the Vinyl Council, 35 hospitals were involved by the start of 2015, covering a total of 70 tonnes potentially available for recovery. A further 39 being either pending or expressing interest in starting the program. Additionally, almost 290 home-dialysis patients had signed up to the take-back scheme proposed by Baxter
50	Commitment 5: Transparency and Engagement p.15	(regarding technical steering group) four meetings were organised in 2014, attended by an average of 13 participants.

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51	Commitment 5: Transparency and Engagement p.15	One Signatory joined the Program in 2014: Baxter Healthcare Pty Ltd
52	Commitment 5: Transparency and Engagement p.15-16	List of program signatories