AUSTRALIAN RETAIL COUNCIL

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Submission to Food Standards ANZ Proposal P1067: Health Star Rating System

July 2026

The Australian Retail Council (ARC) welcomes the opportunity to provide a submission regarding Food Standards Australia New Zealand's Proposal P1067 - Health Star Rating System.

ARC represents the Australian retail sector. Valued at $444 billion, retail is the nation's second largest private sector employer, supporting more than 1.5 million jobs, including more young Australians aged 15 to 24 years than any other industry.

Our membership encompasses the full breath of Australian retail, from family-owned small and independent businesses, comprising 95 per cent of our membership, to large national and international retailers supporting communities across metropolitan and regional Australia. With more than 155,000 retail outlets nationwide and a growing online presence, the retail sector is embedded throughout the economy, playing a critical role in the supply chain of Australian businesses.

ARC advocates for polices and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it.

General comments

ARC's comments in this submission are confined to the retail-relevant elements of the submission paper.

ARC acknowledges the importance of ensuring Front-of-Pack Labelling (FoPL) is appropriately regulated in Australia. The current voluntary Health Star Rating System (HSR system) does not cover the full market, decreasing consumer understanding and trust.

Subject to specific exemptions and prohibitions referred to in our responses to the detailed consultation questions below, ARC supports mandating the HSR system on certain foods and beverages sold in a retail environment that are required to bear a label. With proper guidance and education, the HSR can evolve to become a trusted, government-backed rating that genuinely assists customers to make healthier food choices.

ARC's view is that the most proportionate and workable approach is Option 2, namely legislation aligned with the scope of the current voluntary Health Star Rating system (HSR system), made mandatory and supported by clearer enforcement arrangements.

ARC responses to the Consultation Questions

1. Do you support FSANZ's assessment that mandating the HSR system would better support healthier food choices than a voluntary system (see section 4.1 of this report)? Why/why not?

Yes, ARC supports mandating the HSR system:

a. Mandating the HSR system on certain foods and beverages has the potential to support more Australians in making informed purchasing decisions that may be beneficial to their long-term health and wellbeing.

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b. To achieve its objectives the HSR system:
   i. **must be aligned** with the latest and highest quality scientific evidence, and
   ii. **supported** by a comprehensive long-term education campaign/s, focused on the most recent iteration of the Australian Dietary Guidelines and its Five Core Food Groups.

   This is consistent with FSANZ's recent Health Star Rating Consumer Literature Review (SD1) and Heartward Strategics' Nutrition Labelling Focus Groups (SD2) that provide evidence that mandating the HSR system is expected to improve consumer use and trust, provided the System is more consistent, comparable and accessible, and that it is supported by comprehensive long-term education campaigns and overseen by a credible Government authority.

c. Mandating the HSR system with the recommended changes to the Food Standards Code (the Code) would also provide regulatory certainty for industry, support a level playing field and assist Government agencies with enforcement.

Therefore, ARC supports Option 2: Amend the Code to mandate the HSR system on certain foods and beverages (subject to appropriate exemptions and prohibitions).

2. Do you support FSANZ's proposed approach for the application of the HSR symbol to specific types of sales, including food for retail sale (see section 4.2 of this report and section 2 of SD5)? Please provide reasons and describe any practical or implementation issues FSANZ should consider.

Subject to specific exemptions and prohibitions, ARC supports mandating the HSR system on certain foods and beverages sold in a retail environment that are required to bear a label.

a. With respect to foods for retail sale, ARC supports FSANZ recommendations that, if a food is required to display a nutrition information panel (NIP) under the Code, the HSR symbol would also be required to be displayed, unless specifically prohibited. Where a NIP is provided voluntarily, a HSR symbol may also be provided voluntarily, unless prohibited (e.g. standardised alcoholic beverages, etc).
b. ARC supports the voluntary display of the HSR symbol adjacent to food or on the label for specific core foods including fresh and minimally processed fruits, vegetables, legumes and fungi, and plain packaged still and carbonated water, without the requirement to display an NIP. This would support consumer education about the essential role of core foods and beverages in a healthy diet.
c. ARC supports the list of foods prohibited to use the HSR system on pack and in advertising on page 15 of P1067.

3. Are there specific foods for which there would be space limitations in fitting a legible HSR symbol on the label (beyond small packages <100 cm2) (see section 2.2.6.3.6 of SD5)? Please provide examples and outline any practical solutions or approaches to address these challenges.

Subject to flexibility regarding the size and colour of the HSR symbol, ARC supports the FSANZ recommendation to voluntarily label foods in small packages (<100 cm^2) with an NIP and HSR.

4. Do you support FSANZ's proposed overall approach with respect to calculating the HSR (see section 4.3.1 and Attachment C of this report)? Please provide reasons for your response, including any specific aspects of the proposed approach that you consider problematic or could be improved.

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a. ARC supports FSANZ overall approach for calculating the HSR, noting the changes to wording to improve the fit with the existing Food Standards Code and removal of redundant nutrient criteria (i.e., protein in Categories 1D and 3D).
b. ARC does not support:
    i. the algorithms treatment of oils (Category 3) and dairy foods (Categories 1D-3D). Some core foods like olive oil, full cream milk, yoghurt and cheese are naturally higher in saturated fats. Reviewing the evidence for the Saturated Fat Guideline is not a priority for the current review of the Australian Dietary Guidelines, and the evidence base for the current Guideline is outdated. Recent research indicates that olive oil (1) and full-fat dairy foods are not adversely associated with cardiometabolic outcomes or mortality (2-4).
    ii. the proposal to calculate FVNL based on "characterising ingredient percentages" for foods that must be drained (e.g., canned legumes). This approach penalises the FVNL score based on liquids not intended for consumption and should instead align with the drained weight. For instance, for items like canned lentils in brine, this methodology would cause the FVNL percentage to drop from approximately 99% to 60%. Such a shift effectively penalises the product with a 0.5 star reduction in its HSR score due to the inclusion of packing liquid that is ultimately discarded by the consumer.
c. In relation to the algorithm override for water based flavoured beverages, ARC queries whether additives containing sodium contribute much sodium to the diet of Australians given Good Manufacturing Practice (GMP) provisions within the Code. If not, is this exception warranted.

5. Do you support FSANZ's proposed approach with respect to the categorisation of foods for the algorithm (Categories 1, 2, 3, 1D, 2D, and 3D) (see section 4.3.2 of this report and section 3.1 of SD5)? Please provide reasons for your response.

ARC supports the FSANZ proposed approach for categorisation of foods for the algorithm as it aligns with the existing Food Standards Code and is based on modelling using the Australian Branded Food Database.

However, the revised calcium threshold for dairy beverages is not supported. Milk-based beverages containing roughly 75% dairy may not naturally reach the proposed 100mg per 100mL requirement without the use of fortification. Based on FSANZ NUTTAB data, 75mL of milk typically provides between 82 and 90mg of calcium, failing to meet the newly suggested 100mg limit. Additional fortification would introduce unnecessary complexity to product formulations and increase manufacturing costs. Such burdens appear unnecessary for dairy beverages that already contribute significantly to dietary calcium per serving. We recommend maintaining the current 80mg per 100mL criterion to accurately reflect the inherent nutritional value of dairy beverages without the need for technical intervention.

6. What are your views on the approaches considered by FSANZ for accounting for milk powder in foods in the dairy categories, including how these approaches address reconstitution and the application of the 75% rule (section 3.1.4.4.5 of SD5)? Please describe any alternative approaches that may better address the issues identified.

There is some support for FSANZ's proposal to explicitly include dried milk and milk powder in the dairy categories (specifically Category 1D), given that these products are derived from milk as defined in the Code and have similar nutritional benefits. A preference though is not to specify a powder-to-water ratio, meaning that any combination of milk powder and water would count toward the 75% dairy requirement. While we appreciate this creates some ambiguity, as a product with a minimal amount of milk powder and a large amount of water could

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technically be classed as a dairy food, our feedback is that this is unlikely in practice, because heavily watered-down products would fail to meet the minimum calcium requirements required to qualify for the dairy categories. For industry, verifying that milk powder has been reconstituted to the exact water-to-milk-solids ratio of regular liquid milk is a complex task. To mitigate this, we would support the methodology proposed by FSANZ to avoid this complexity.

7. Do you support FSANZ's proposed approach with respect to the form of the food used when calculating the HSR (see section 4.3.3 of this report and section 3.3 of SD5)? Please provide reasons for your response, including any specific aspects of the proposed approach that you consider problematic or could be improved.

FSANZ is proposing that except for foods intended to be reconstituted or drained before consumption, foods intended to be prepared or consumed with at least one other food would be required to calculate a HSR on an 'as sold' basis only.

ARC supports the FSANZ proposed approach to the form of the food. This approach is the most practical given the best available evidence and this will likely support consumers understanding and trust of the HSR system.

8. Do you support FSANZ's proposed approach with respect to FVNL content used when calculating the HSR (see section 4.3.4 of this report and section 3.4 of SD5)? Please provide reasons for your response, including any specific aspects of the proposed approach that you consider problematic or could be improved.

Member perspectives differ in relation to the removal of concentrated FVNL from the HSR algorithm. Considerations include:

a. An inconsistency with the Australian Dietary Guidelines, Eating and Activity Guidelines for New Zealand, and the Nutrient Profiling Scoring Calculator algorithm. There are concerns that the approach proposed may undermine consumer confidence in both the HSR and health claims systems.
b. If a concentrated FVNL in the algorithm was retained, would a definition of concentrated FVNL based on moisture content be developed for industry and food regulators to aid enforcement?
c. Some in industry support removal of concentrated FVNL in principle, primarily for ease of long-term implementation and to reduce the implementation challenges with the current rules for FVNL under the voluntary system. Current challenges include:
    i. Defining concentration (e.g., how much moisture must be removed for a fruit or vegetable to be considered concentrated), for example pastes vs purees.
    ii. Difficulty in calculating FVNL vs concentrated FV in complex recipes, due to the differences between what can and cannot count within each component.
    iii. The requirement to calculate small amounts of concentrated FV, even when they have no practical impact on the final HSR score.

9. Do you support FSANZ's proposed approach with respect to algorithm overrides (see section 4.3.5 of this report)? Please provide reasons for your response, including any specific aspects of the proposed approach that you consider problematic or could be improved.

Member perspectives differ in relation to the algorithm override. Relevant considerations include:

a. Will the algorithm override for water-based flavoured beverages, exclude the use of intense sweeteners? Eating and Activity Guidelines for New Zealand specifically recommend the use of "diet drinks in

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moderation". Recent research indicates that they are useful for weight management (5-8) and related conditions (9, 10); underlying principles of the HSR system.

b. Will the 4.5 HSR eligibility remain exclusive to 'unsweetened' water. Under the current algorithm, most water-based beverages utilising intense sweeteners already achieve a 3.5 HSR provided their sugar content is sufficiently low
c. Maintaining a distinction between intense sweetened beverages (at 3.5 HSR) and unsweetened beverages (at 4.5 HSR) is important to nudge consumers towards the healthier choice, as per current practice under the voluntary system.

Additionally:

d. ARC queries whether additives containing sodium contribute much sodium to the diet of Australians given Good Manufacturing Practice (GMP) provisions within the Code? If not, is this exception warranted.
e. A mandatory HSR framework that reinforces nutritional evidence for plain, unsalted nuts is required. We recommend that FSANZ model an automatic 5-star rating for eligible single-ingredient, plain unsalted nuts. The feedback we have received includes concerns about the current algorithm allowing salted varieties to outscore unsalted ones. This results in inconsistent ratings for identical nut types, such as walnuts, due to natural nutritional variances and differing data sources. The current 1.5-star discrepancy across the unsalted nut category is disproportionate to their comparable health outcomes and confuses consumers. This override would mitigate natural nutritional variation and align with dietary guidelines that do not distinguish between nut varieties, like the standardisation applied to fruits and vegetables. While we acknowledge FSANZ's concern that an automatic 5-star rating might encourage overconsumption of energy-dense foods, current dietary patterns and scientific evidence do not support a link between nut intake and weight gain.

10. Do you support FSANZ's proposed approach regarding layers of packaging, multipacks, individual portion packs and multicomponent foods (see section 4.3.6 of this report and section 3.2 of SD5)? Please provide reasons for your response.

Overall, ARC supports FSANZ proposed approach for layers of packaging, multipacks, individual portion packs and multicomponent foods as it aligns as best as practicable with the existing Food Standards Code.

Use of the weighted average calculation for all Multicomponent foods is a rational and fair approach for all Multicomponent foods – not just cheese and crackers. Requiring this for all Multicomponent foods will facilitate consumer education. However, should this methodology be expanded further, comprehensive modelling is essential to prevent unintended outcomes, such as inflated Health Star Ratings for discretionary items. It is important to recognise that because the weighted average approach demands greater nutritional analysis and administrative effort, its application should be restricted to instances where it is vital for better alignment with Dietary Guidelines.

11. Do you support FSANZ's proposed approach for the HSR symbol to be the stars element only (see section 4.4.1 of this report and section 1.1 of SD4)? Please provide reasons for your response, including any evidence on consumer use or implementation considerations.

Overall, ARC supports FSANZ proposed approach to only mandate the Stars element of the HSR system.

FSANZ's recent Health Star Rating Consumer Literature Review (SD1) and Heartward Strategics' Nutrition Labelling Focus Groups (SD2) provide evidence that use of the stars element only is the most practical approach that

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balances consumer understanding and trust, with the availability of package space and legibility. It will also support consumer education.

12. Do you have any information or evidence to inform the consideration of colour including as it relates to supporting consumption of foods identified in Guideline 2 of the ADGs and Eating Statement 1 of the NZEAG? Please provide any consumer evidence and/or information on implementing the use of colour in the HSR symbol.

ARC does not support the mandating of specific colours for the HSR system for practical reasons.

All available colours are not utilised in food packaging for a variety of reasons. Mandating specific colours will create technical problems and may adversely affect legibility and costs.

13. Do you support FSANZ's proposed approach for the location of the HSR symbol on a package of food (see section 4.4.2 of this report and section 1.2 of SD4)? Please provide reasons for your response, including any evidence on consumer use or implementation considerations.

ARC supports FSANZ proposed approach to require the HSR symbol to be placed on the front of the package, with exemptions for imported foods that require an over-sticker on a different part of the package. When an over-sticker is not required on imported foods, ARC supports mandating the HSR system, when applicable, on the Front-of-Pack.

14. Do you support FSANZ's proposed approach for the presentation and legibility of the HSR symbol (see section 4.4.3 of this report and section 1.3 of SD4)? Please provide reasons for your response, including any evidence on consumer use or implementation considerations.

ARC supports FSANZ proposed approach for the presentation and legibility of the HSR symbol, given the following practical reasons:

a. Businesses are responsible for choosing the colour and size of the graphic.
b. The graphic should be presented in a colour that meets legibility requirements set out in the Code and provides good contrast to the background to maximise legibility
c. The graphic can be scaled according to the package size, provided that all elements used remain legible.

15. Do you support FSANZ's proposed approach for the declaration of algorithm components (see section 4.5 of this report and section 4 of SD5)? Please provide reasons for your response including any implications for transparency, enforcement or cost.

Member perspectives differ regarding FSANZ's proposed approach for the declaration of algorithm components in the NIP. Considerations include:

a. The location of the FVNL - The ingredient list could be considered. This would support consumer trust and aid enforcement agencies. To protect proprietary information about ingredients, total /combined FVNL content is arguably the best approach.
b. However, specific concerns have been provided regarding FSANZ's proposed approach:
    i. Mandatory Declaration of Calcium in the NIP: This approach creates a regulatory conflict with Standard 1.2.8 and Schedule 4 (where calcium could be displayed in the NIP without meeting the requirements for a 'source of calcium' claim), and may mislead consumers by implying a product has significant calcium content when the actual per serve value is very low. The requirement to declare calcium to qualify for Category 2D forces manufacturers to "prove a negative" —specifically, that the

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cheese contains less than the 320 mg/100g threshold required for products to qualify for Category 3D. For cream cheese, which inherently falls well below this threshold, mandating laboratory testing or ongoing nutritional analysis simply to prove the food belongs in its naturally defined category adds unquantified costs to the industry with no corresponding public health benefit.

ii. Mandatory Declaration of FVNL Content: Some members do not support the mandatory declaration of Fruit, Vegetable, Nut, and Legume (FVNL) content as a separate on-pack statement. The acronym "FVNL" is unfamiliar to consumers and would require an explanation. It could also be misinterpreted as a formal allergen statement (due to the explicit inclusion of "Nuts").

Should the proposed methodology for declaring algorithm components proceed as currently outlined, at an absolute minimum, this disclosure should be restricted to cases where they directly influence the resulting HSR. Requiring such declarations in every instance where fibre or FVNL have been used in the calculation, regardless of their impact on the final rating, would impose an unnecessary administrative burden. This point should be explicitly clarified in the final industry guidance.

16. Have all the major impacts to industry, consumers and government from the proposed options been identified in Table 1 of SD6? Please provide evidence (where possible) to support the inclusion and magnitude of other impacts.

ARC's members do not support the economic cost assumptions proposed in FSANZ's supporting document (SD6). These assumptions significantly underestimate the complexity, scope and financial burden on industry regarding per-SKU artwork modification, IT infrastructure and labour.

In addition, the wider ramifications for consumers have not been captured.

Mandating the HSR on an estimated 50,000 SKUs of foods and beverages will likely increase the overall cost of some products. These industry input costs will have flow on impacts on current cost of living pressures, with impacts on inflation and other related effects such as interest rates.

ARC recommends that the FSANZ consider these wider impacts.

17. Do you have information to provide to assist FSANZ in quantifying the costs and benefits currently identified as unquantified in Table 2 of SD6? Please provide data and evidence to support the inclusion of such information.

Please refer to our comments above regarding the impact on industry, consumers and the wider community.

ARC recommends that to support compliance and minimise the cost to industry, a five-year transition period plus a two-year "stock in trade" provision be considered. This would minimise food waste, packaging waste and enable industry to integrate mandatory label changes into existing operations.

18. Do you agree with the assumptions proposed to be used to estimate the costs to industry in SD6? Please provide data and evidence to support the inclusion of alternative assumptions.

ARC does not have any information to share with FSANZ.

19. Additional Comments

Trans-Tasman Regulatory Gaps: A single system across Australia and New Zealand is an important support for Trans-Tasman producers and manufacturers to navigate packaging. Should New Zealand choose to opt out of a

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mandatory standard, this would create ambiguity regarding compliance under the Trans-Tasman Mutual Recognition Arrangement (TTMRA) as well as potential barriers to trade.

Algorithm Review and Anomalies: In principle, the proposed strategy to integrate the existing algorithm into the Food Standards Code without a comprehensive redesign as an initial practical step, is supported. However, as noted above, this does not imply that all category-specific results—particularly regarding Dairy Foods—are currently fit for purpose. It is essential that FSANZ provides transparency regarding the future management of technical anomalies and the long-term governance of the algorithm. While we acknowledge that the HSR algorithm must remain reflective of any updates to the Australian Dietary Guidelines later in 2026, future revisions must be strategically sequenced to prevent overlapping or successive labelling requirements. FSANZ should prioritise a single phase of implementation to mitigate the risk of businesses being forced into multiple label updates between the initial mandate and subsequent guideline reviews. Introducing further regulatory shifts within a condensed one-to-two-year window would exacerbate industry uncertainty, escalate compliance costs, and generate significant packaging waste. We recommend FSANZ establish a clear roadmap that avoids redundant transition periods and minimises the operational burden on manufacturers.

FSANZ Food Composition Database: A mandatory HSR framework must be supported by a robust and comprehensive food composition database. Ensuring that industry has access to the most current and detailed nutritional data offers several critical advantages:

a. Mitigating Implementation Costs: Accessible, high-quality data reduces the financial burden on manufacturers by minimising the need for expensive analytical laboratory testing to determine nutritional profiles.
b. Ensuring Category Consistency: A standardised data source facilitates alignment across the sector for comparable products, particularly for single ingredient foods such as nuts, edible oils, and meat, where natural variation occurs.
c. Addressing Data Gaps: Much of the existing data available in the FSANZ Food Composition Database is outdated or incomplete which limits its usefulness in a mandatory environment.

Comprehensive industry guidance: Given the complexities involved with the proposed labelling changes under a mandatory HSR system, comprehensive industry guidance is essential. The existing voluntary Implementation Guide should be preserved and updated to reflect any revised Australia New Zealand Food Standards Code Standards. Providing explicit direction is necessary to support compliance and avoid misinterpretation or miscalculation, particularly for smaller businesses with limited regulatory resources.

In the current voluntary system, the HSR Unit provides valuable support to industry to answer queries in relation to the implementation of the HSR. A responsive technical help desk - like the current HSR Unit – should be maintained at a minimum, during the transition phase. This will give businesses a reliable mechanism to seek guidance on complex product lines before printing packaging, ensuring industry certainty and reducing compliance costs.

Thank you for the opportunity to provide this feedback. Please direct any queries in relation to this submission to our policy team at policy@retail.org.au.

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