

Authorisation AA1000627 – Condition 2, Progress Report 23 October 2023 from Participant Supermarkets

We refer to Condition 2 of the Authorisation AA1000627 granted by the ACCC on 30 June 2023 and in effect as of 22 July 2023 (**Authorisation**) and provide the following report in relation to progress made by the Soft Plastics Taskforce (the **Taskforce**) towards implementing the Instore Collection Recommencement Steps (**Recommencement Steps**) since 22 July 2023 (the **Reporting Period**).

The Taskforce comprises representatives of Coles Group Limited (**Coles**), Woolworths Group Limited (**Woolworths**), ALDI Stores (A Limited Partnership) (**Aldi**) (collectively, the **Participants**) with support from the Department of Climate Change, Energy, the Environment and Water.

This report is submitted jointly by the Participants.

1 Progress on Recommencement Steps

During the Reporting Period, and as detailed in the Minutes provided to the ACCC, the Participants have held two Taskforce meetings and have otherwise continued to implement the Recommencement Steps agreed or arising out of previous Taskforce meetings. Details of the progress made by the Taskforce as led by Coles and Woolworths are set out below, but at a high level they have focussed on:

- implementing a stockpile remediation action plan;
- continuing to assess processing capacity, both domestic and offshore;
- negotiating contract terms with processors;
- initial work to develop a cost sharing model; and
- working towards the launch of a pilot program for recommencement of soft plastics instore collection and processing.

The Participants note that the recommencement of a soft plastics recycling program continues to rely on operational processing capacity, which remains limited and in a relatively early growth phase in Australia. The Participants are continuing to keep abreast of other relevant developments and proposals in relation to soft plastics recycling, such as developments in government policy related to soft plastics as well as other longer term schemes under development, such as the Australian Food and Grocery Council's proposed National Plastics Recycling Scheme.

1.1 Processor engagement and site visits

During the Reporting Period, the Participants continued to meet with and engage with potential processors including:

- a number of local recyclers and processors to understand and corroborate their current and projected domestic soft plastics recycling capability; and
- a number of international recyclers in relation to chemical recycling options that could potentially form part of an instore soft plastics collection scheme, to complement domestic recycling capabilities, until domestic recycling capacity reaches sufficient maturity to process material at scale.

This engagement has included the provision of samples of the stockpiled material to these recyclers in order to assess the suitability of their processing capabilities for the stockpiled material.

1.2 Implementation of a stockpile remediation action plan

The Participants have also made substantial progress in implementing a stockpile remediation action plan for the safe storage, processing and transportation of stockpiled soft plastic materials.

Following safety assessments by the relevant state Environment Protection Authorities (**EPAs**) of the risks associated with existing soft plastics stockpiles, all sites deemed by the NSW EPA to have been 'high risk' have been addressed, and the other state EPAs have confirmed that they are comfortable with the current measures. The Participants are continuing to engage with local councils and EPAs on the measures undertaken.

Coles and Woolworths have entered into a Memorandum of Understanding which assigns roles in relation to the management of the legacy soft plastics stockpiles. The progress made in respect of the stockpile consolidation and relocation activities includes:

- relocating stockpiled materials comprising approximately [REDACTED] tonnes of soft plastics to secure warehouses in each state;
- consolidating stockpiled materials from [REDACTED] storage locations to [REDACTED] warehouses. The Participants are liaising with authorities, councils and landlords to ensure that all licences and permits remain valid until the legacy stockpiles are processed; and
- sending less than 4% of stockpiled materials to landfill, being heavily deteriorated and/or contaminated product where recycling was not feasible and landfill could not reasonably be avoided.

Based on current information received from the market, the Taskforce's current best estimate is that the management and processing of the stockpile will require approximately [REDACTED] (including costs incurred to date). These costs are impacted by the processing availability per state (see further at 1.3) and by the speed of processing offsetting storage costs and transport expenditure to move material to processing sites based on availability.

1.3 Assessment of processing capacity

The Participants have carried out extensive industry research and due diligence to compile a list of potential recyclers in each state offering the right type of technology required to process soft plastic material. This includes investigating providers with a range of recycling technologies, including:

- mechanical recycling – where processors such as [REDACTED] break down recycled plastic into its base form to create ready-to-market products or additives into other products that may be of lower quality and functionality than the original material. Trials have been undertaken in Australia but are awaiting increased capacity;
- advanced mechanical recycling – where processors such as [REDACTED] undertake mechanical processes to transform clean recycled plastic into high-quality material that is used as feedstock by other processing companies. Trials are underway in Australia and require investment to accelerate; and
- chemical recycling – where processors such as [REDACTED] break down mixed streams of plastic waste at the molecular level to turn into high quality films for packaging.

The Participants have also been working with a number of recyclers and supporting them in grant applications to establish additional soft plastics processing capability and infrastructure in each state around Australia. The Taskforce notes that Australia's domestic post-consumer soft plastics recovery industry remains in its infancy, with the Taskforce's estimate of national total onshore

processing capacity being approximately [REDACTED] across all recycling technologies. In most states, capacity is coming online slowly and has not yet reached sufficient maturity to process material at scale. The Taskforce's inquiries suggest that:

- in Victoria, NSW and South Australia, there are a number of initiatives and facilities coming online which, with time, could bring total processing capacities in each of those states up to (and in the longer term, ultimately exceeding) approximately [REDACTED]. The Participants are engaging with a number of recycling organisations about a number of these initiatives. However, many of these initiatives currently remain in a start-up phase and are not yet ready for the volumes and service levels needed for full scale recycling;
- in Tasmania, there is currently no soft plastics recycling infrastructure, and stockpiled materials will be transferred to the hub in Victoria for processing;
- in the Northern Territory and Western Australia, there are currently no soft plastics recycling infrastructure, and stockpiled materials will be transferred to the hub in South Australia for processing; and
- in Queensland, stockpiled materials may be transferred to the hub in NSW for processing in the future pending the development of soft plastics recycling infrastructure.

1.4 Negotiation and development of contract terms with third parties

Coles and Woolworths have entered into contracts with the following third-party logistics providers for the current interim storage of the stockpiles:

State	Company	Address
Victoria	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
NSW	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
WA	[REDACTED]	[REDACTED]
SA	[REDACTED]	[REDACTED]

[REDACTED]

The Participants are also extending their relationships with some of the above recyclers to

establish capability in Western Australia and Queensland where a small amount of the stockpile is located.

1.5 Development of cost sharing business models

The Participants have also been considering business models to support cost sharing of the proposed instore soft plastics collections program and contributions towards the costs of ongoing stockpile management. In the short term, Woolworths and Coles as Participants will cover the costs of the stockpile management. Preliminary discussions are taking place for the establishment of a fund into which [REDACTED]

1.6 Recommencement of an instore collection pilot program

Finally, the Participants have continued their discussions about the development of a pilot program for the recommencement of instore soft plastics collection, having regard to the limited processing capacity available or due to become available, including in relation to:

- scope, namely the number of stores and locations;
- timing;
- local processing capacity to support the restart; and
- external customer messaging and signage.

Details regarding the pilot program are still the subject of discussions between the Participants, however at this stage [REDACTED]

[REDACTED] The purpose of this trial would be to (1) test consumer engagement and behaviours, (2) assess the quality, volume and brand categorisation of packaging materials returned during the trial period and (3) test the logistical and reprocessing pathway to measure capability, performance and scaling requirements before exploring a potential expansion of the trial to other geographic regions (subject to recycling capacity continuing to become available). To this end, the Participants have been negotiating a number of feedstock supply agreements, not only for the processing of the stockpiles, but to underpin the restart of the soft plastics instore collection and recycling scheme.