petco

Leading Producer Responsibility.

Petco Development Fund Launch

30 August 2023

Competition Act of 1998

STATEMENT OF COMPLIANCE

We, the Board of Directors, Members and Management of Petco will always conduct our business affairs in accordance with the law, taking into account principles of good corporate governance.

In particular, we are cognisant of competition law and as a company are committed, at every level, to complying with both the letter and spirit of competition laws.

Petco will not engage in or tolerate any form of conduct which fails to comply with the requirements of competition laws. Forms of anti-competitive conduct include, but are not limited to, agreements or discussions with competitors relating to pricing, allocating or dividing geographic markets, customers or tenders.

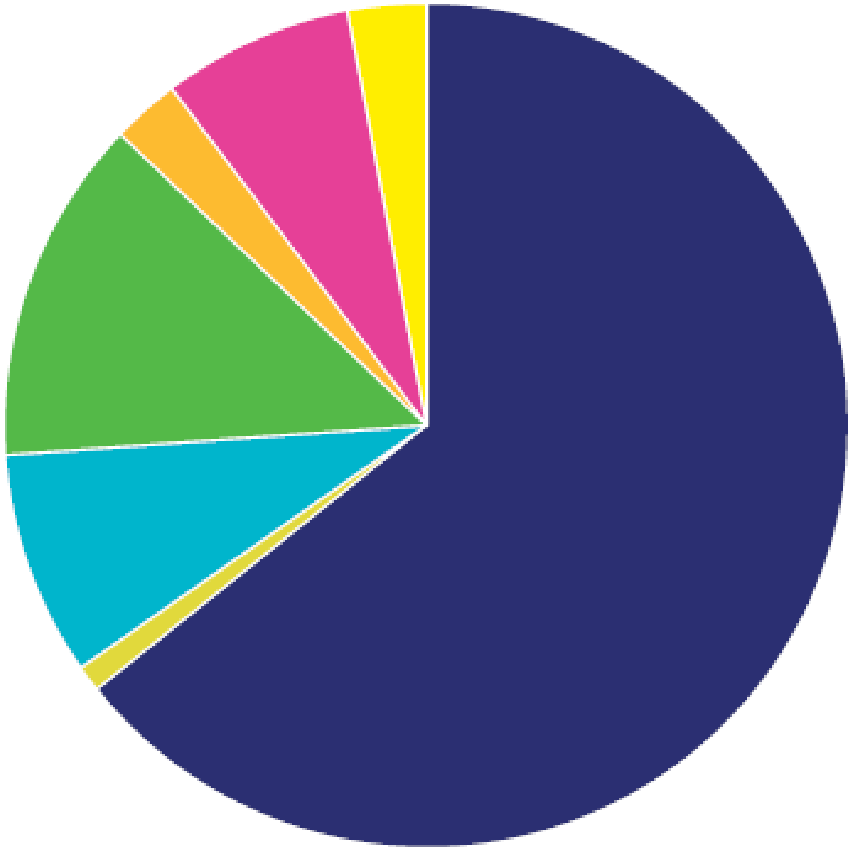
We are committed to free and fair competition. If there is any doubt about the legality of certain actions or decisions being taken at our meetings, then this will be referred to our legal counsel or advisers for further investigation or action.

This statement is intended to support our uncompromising company policy to comply in all respects with competition laws.

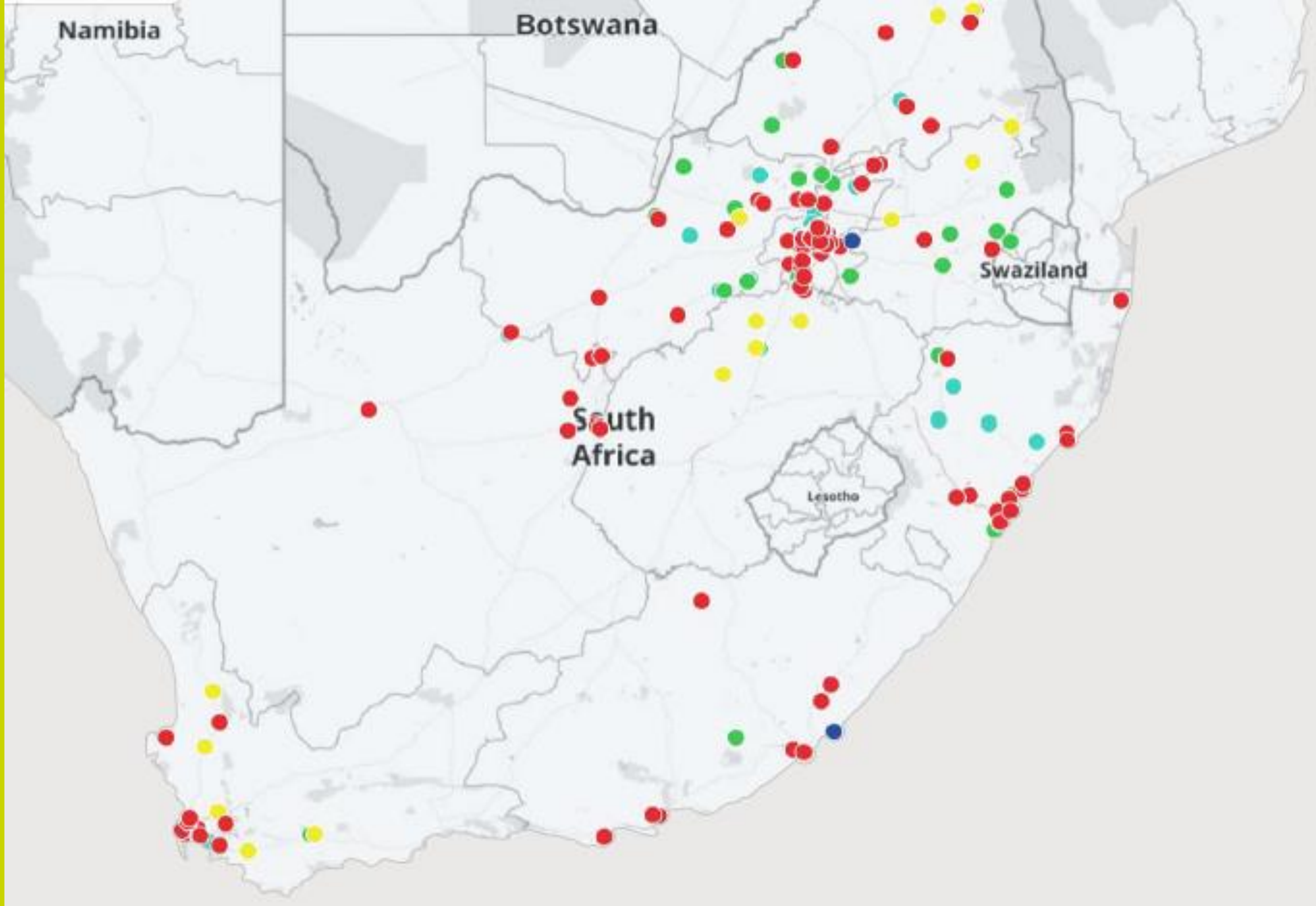
Agenda

Schedule	Agenda Item	Lead
10:00-10:05	• Welcome	Junaid Francis (Petco)
10:05-10:15	• Background to Empowerment Fund • Alignment with Petco strategy	Bhavesh Patel (Petco)
10:15-10:40	• Fund Purpose • Fund Commitment • Fund Objectives • Fund Structure and Governance • Benefits to Donors	Niall Gahan (Enterprise Room)
10:40-11:00	• Q&A	All

Current EPR Fee Expenditure



- **63.7%** Value Chain Support
- **13.5%** Admin Fees (as defined by S18)
- **9%** Education and Awareness
- **7.5%** Enterprise Development
- **3.1%** Other Admin & Operating Expenses
- **2.3%** Section 18 Compliance
- **1%** Strategic Alliances



Accredited training		3 courses	89 participants
Bulk bags		57 projects	20 309 bulk bags
Equipment support		104 projects	2 baling machines, 30 trailers, 4 containers, 31 trolleys, 39 scales, 14 JoJo tanks
Government/Municipal engagements		25 engagements	National, provincial and local government
Workshops conducted		40	3 475 participants

Partner with us: Petco Empowerment Fund

- Petco is proud to launch the Petco Empowerment Fund.
- We are calling on Petco members and stakeholders to partner with us.
- Your donation will contribute directly to the empowerment and inclusion of SMEs in the collection and recycling value chain through providing accessible finance, integrated with pre- and post-investment support.
- Your spend could also enable B-BBEE points and tax benefits for your company.

Background: Why SME Development

- In South Africa, the small and medium-sized enterprise (SME) sector plays a critical role in contributing to economic activity and providing employment, thereby improving prospects for sustainable growth.
- A country that provides an enabling business environment for its SMEs can improve its vulnerability to economic shocks such as the COVID-19 pandemic.
- Petco is committed to the economic inclusion of SMEs.

Fund Purpose

Fund Purpose

- Partner with Petco members and stakeholders and leverage B-BBEE spend.
- Contribute towards transformation and inclusion.
- Meaningfully empower stakeholders within the entire value chain and their progression within it.
- Develop economic inclusion of SMEs within Petco’s value chain whilst contributing to the development of the circular economy.
- The Petco Empowerment Fund is the result of streamlining and repositioning the development investment strategy of the fund sponsor.
- The objective is to increase the volume and quality of identified products collected, increase the recycling capacity for these products to meet the demand, as well as stimulate the demand as required.

Fund Purpose

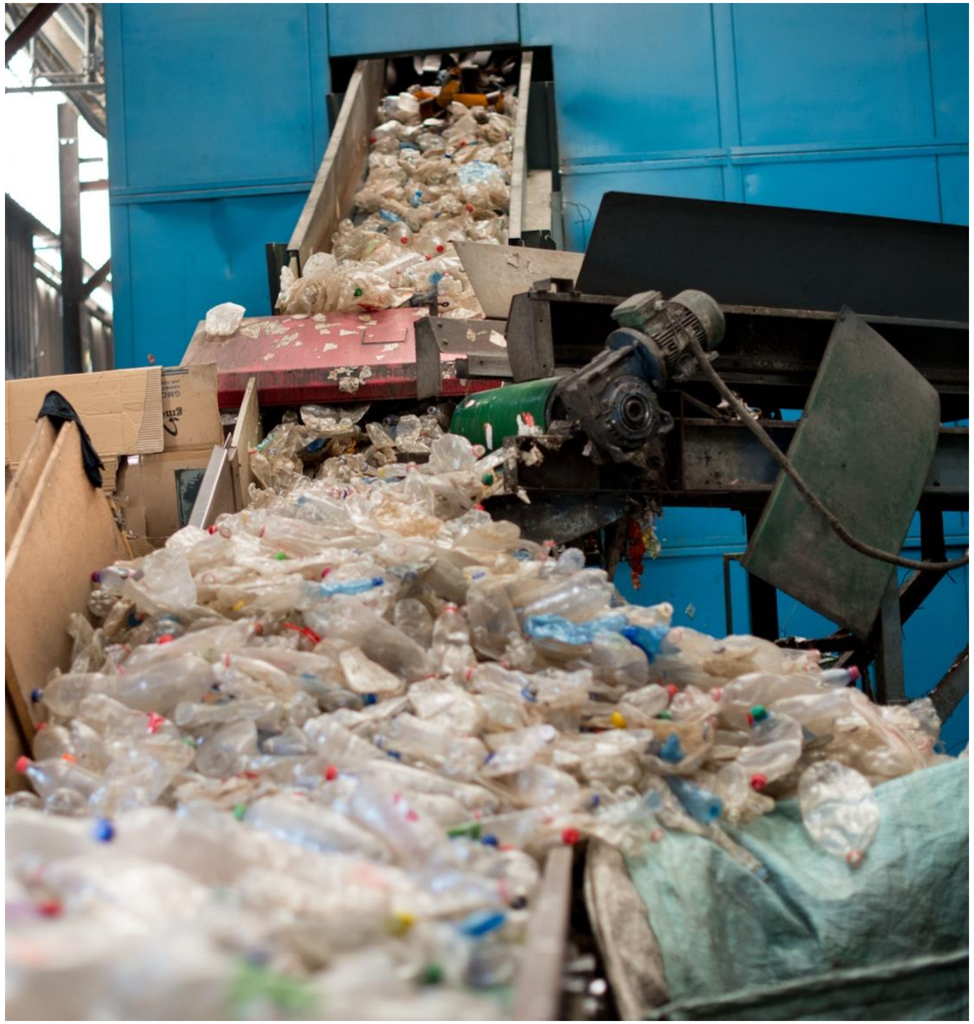
01 The Fund seeks to enable the achievement of the following:

- Fund SMEs to meet Petco's identified products collection and recycling targets.
- Fund SMEs to meet Petco's predefined quality and quantities of feedstock.
- A demonstrable improved capacity, skills and economic viability of funded SMEs based on reasonable and viable targets.
- A by-product of funding and SME development is improved downstream livelihoods, health and safety of waste pickers owing to improved and formalised business practices upstream. (If information is available).
- Increased SME sustainability and feedstock output resulting from funded SMEs.

Fund Purpose

02 Industry benefits include but are not limited to:

- Investment model that integrates and grows collections.
- Leverage B-BBEE Funds.
- Economic inclusion and diversity (SMEs).
- Increase volumes of clean PET waste collected and recycled aligned to increasing rPET capacity and supply to meet the increasing demand.
- Informal sector integration.
- Closing the loop and increasing capacity within the circular economy.



Fund Commitment

Fund Commitment

Environmental Commitment	Petco is committed to reducing the impact of its identified products on the environment and increasing their recycling rates.
Social Commitment	Petco’s commitment to reducing the environmental impact of its identified products is driven by strategies enabling job creation and income generating opportunities within the recycling chain.
Governance (Industry and other statutory)	• As a Producer Responsibility Organisation, Petco is responsible for implementing EPR on behalf of its members. • B-BBEE. • Measurement, Evaluation, Reporting and Learning (MERL) • Investment Committee reporting requirements. • Impact Reports. • Monthly and Quarterly SME and Fund performance. • Enterprise Room will procure matched funding that Petco raises.

Target Beneficiaries

Size (In terms of EME, QSE, Generic)	Annual turnover of less than R50 million.
Demographic Ownership	At least 51% Black-owned*. At least 35% women-owned.
Business form (Pty, Co-op, CC, etc)	Not specified – will be addressed on a case-by-case basis.
Country of registration	South Africa
Geographic location	Businesses in South Africa
Industry specification	Recycling

*Black means "Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent or who became citizens of the Republic of South Africa by naturalisation – a) Before 27 April 1994; or b) On or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date but were precluded from doing so by Apartheid policies". (Broad-Based Black Economic Empowerment Amendment Bill, 2011).

Fund Objectives

Fund Objectives

The Petco Empowerment Fund is the result of streamlining and repositioning the development investment strategy of the fund sponsor.

The purpose of the Fund is to:

- Partner with Petco members and leverage B-BBEE.
- Contribute towards transformation and inclusion.
- Meaningfully empower stakeholders within the entire value chain and their progression within it.
- Develop economic inclusion of SMEs within Petco's value chain whilst contributing to the development of the circular economy.

The objective is to increase the volumes of clean identified products for which Petco administers an EPR schemes and increase the recycled identified products capacity to meet the demand as well as creation of the demand as required.

Fund Structure & Governance

The fund operates as a segregated component within Umthelela Social Investments NPC which has been established as a S30 tax Exemption Public Benefit Organisation, and utilises the following structures and reporting lines.

Fund Sponsor Authority

The fund sponsor refers to the organisation/firm/funder etc. that is the **primary party** responsible for the establishment and operation of the fund, in this case Petco.

Investment Committee (IC)

The IC is established to fulfil several roles including:

- Decision-making on funding applications.
- Monthly fund performance review in terms of applications, investments, funding impact for beneficiaries.
- Reporting to fund sponsor (Petco) on fund activity and performance.

First Funded Project

The first project to utilise the Fund is designed to increase the volumes of PET packaging collected and recycled, and is aligned to increasing rPET capacity and supply to meet demand.

This initial project is based in KwaZulu-Natal but Petco will continue to create and roll out projects nationally to increase the collected volumes of all materials for which Petco administers EPR schemes.

Petco currently administers schemes for PET bottles and jars (beverage, food, home and personal care), labels and closures, and liquid board packaging.

A number of SMEs have been selected after an in-depth application process. They have undergone business assessment and development planning, and will be supported through a development process that includes preparing the SME for ‘funding readiness’.

Industry Benefits

- An investment model that integrates and grows SMEs.
- Leverages B-BBEE funds and assists members in earning scorecard points.
- Contributes to the triple bottom line reporting.
- Drives economic inclusion and diversity (SMEs).
- Builds value chain sustainability by contributing to the circular economy.

Benefit to Donors

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The Petco Empowerment Fund was established to support black-owned SMEs. Corporates pursuing ESD points would qualify for B-BBEE recognition as follows:

01 B-BBEE

The full value of the funds contributed will assist the funding Partner to obtain:

Grant	100%	benefit of a grant
Loan	70%	benefit if it is an interest-free loan
	50%	benefit if is a standard loan, as long as the supporting documentation stated above is in.

02 Tax Exemption

Grants received from South African corporates by the Petco Empowerment Fund can be made by a corporate for either Enterprise Supplier Development (ESD) or Corporate Social Investment (CSI) purposes.

- In either case, a Section 18A Tax Certificate will be issued to the corporate by the NPC, allowing it the full tax deductibility of the grant made.
- In the case where the grant has been made for the specific purpose of achieving ESD points for B-BBEE purposes, the grant is automatically tax deductible in the hands of the corporate.

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Thank you