petco

Leading Producer Responsibility.

Unpacking the Petco Model

13 September 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.

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Overview of EPR

Overview of EPR

Extended Producer Responsibility (EPR) is a resource management tool whereby producers take individual responsibility for the end-of-life management of their used products/packaging.

This can include financial and/or operational responsibility for the collection, sorting and treating of these products/packaging for their recycling and recovery.

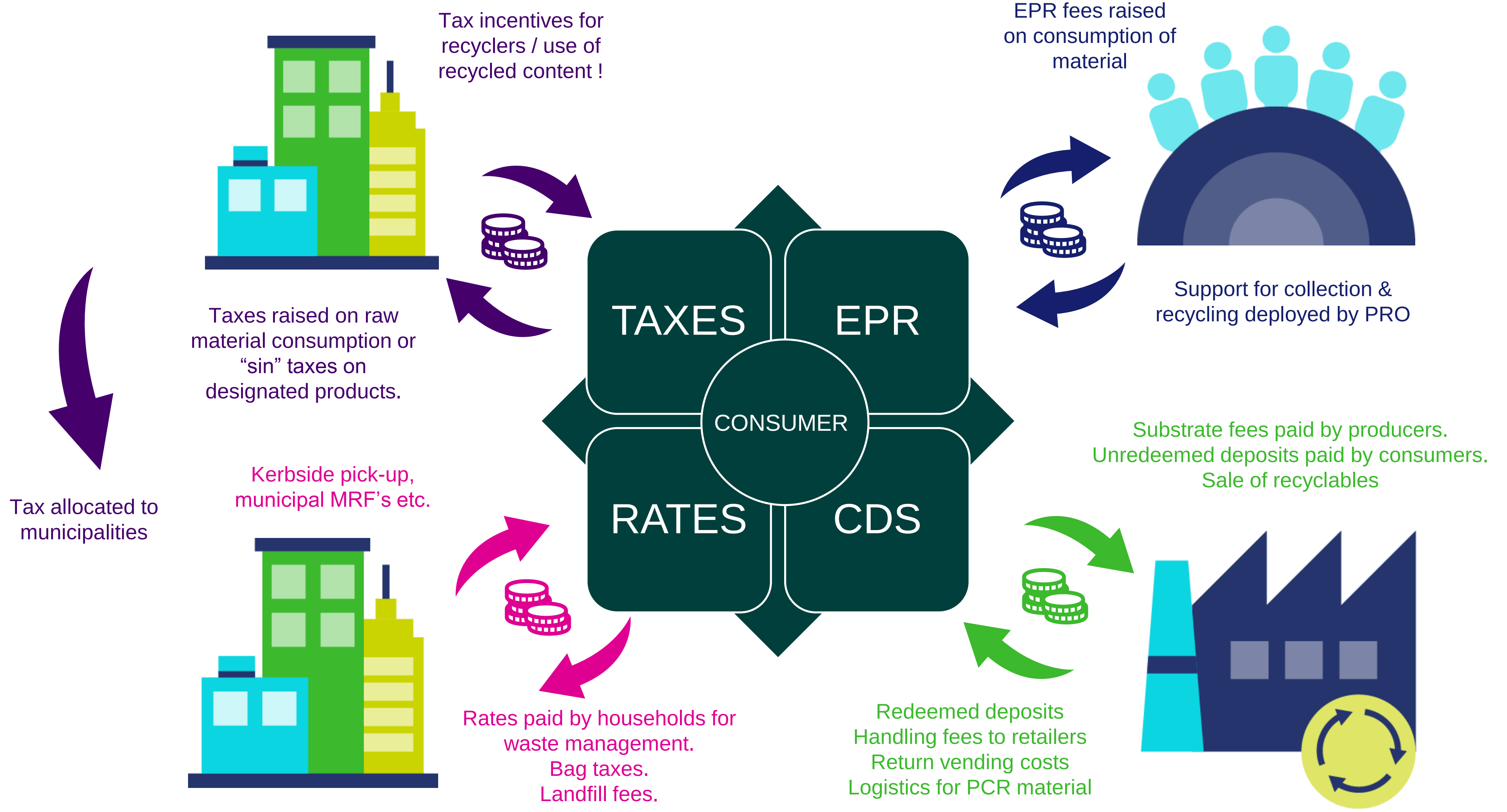
This individual responsibility can be partly transferred to a collective entity, called the “Producer Responsibility Organisation” (PRO).

This PRO should fulfil the obligations of their members in the most efficient and effective way.

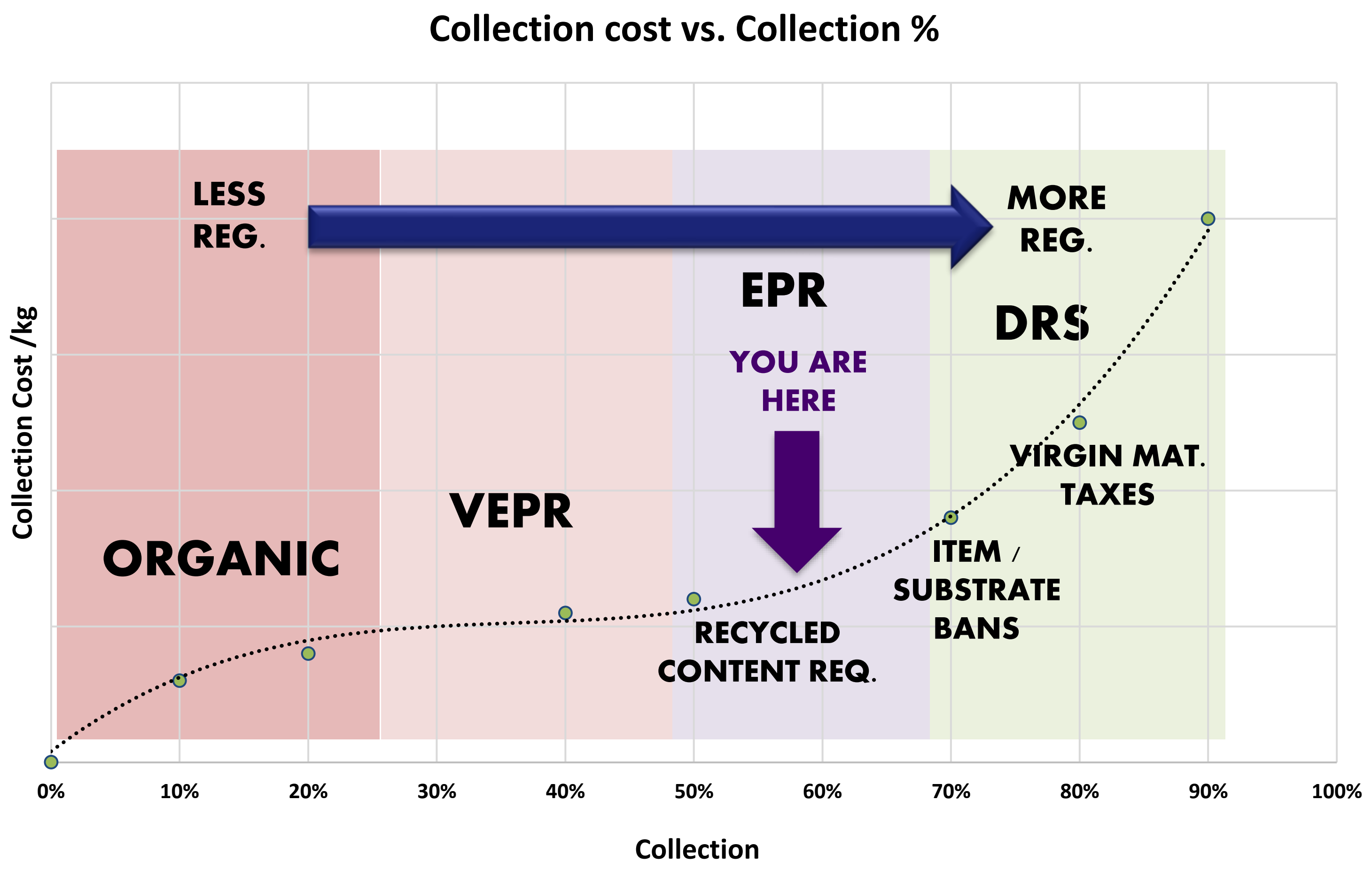
The needed (usually external) costs shall be internalized into the product price.

Higher costs for non-recyclable or difficult to recycle packaging should motivate industry to eco-design their packaging (eco-modulation of fees).

Fiscal instruments



EPR and increasing regulations



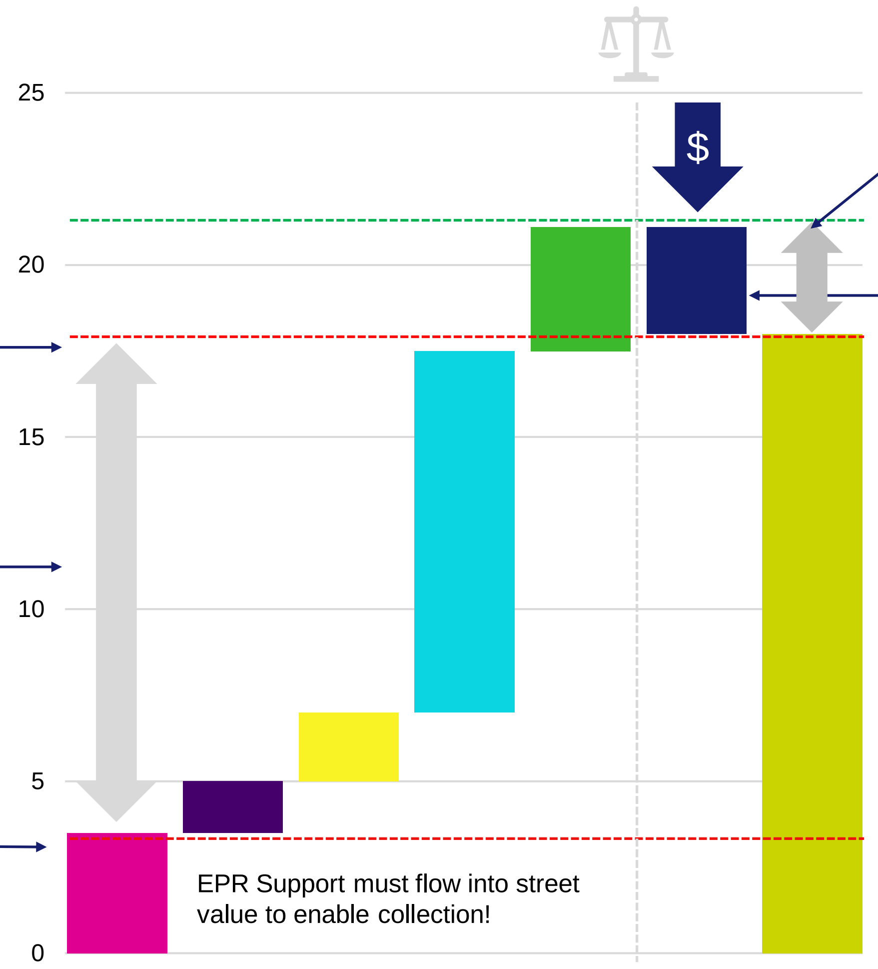
EPR fee considerations

Closing the Gap

"rMarket value" is the price the market is willing to pay for the processed material

Incremental value must more than cover the recycling value chain to result in sustainable recycling.

"Street value" sets a minimum value below which the material is not collected.



Price recycler would need to achieve in the market without support

Where a gap exists EPR systems need to close it or recycling will stagnate and stop.

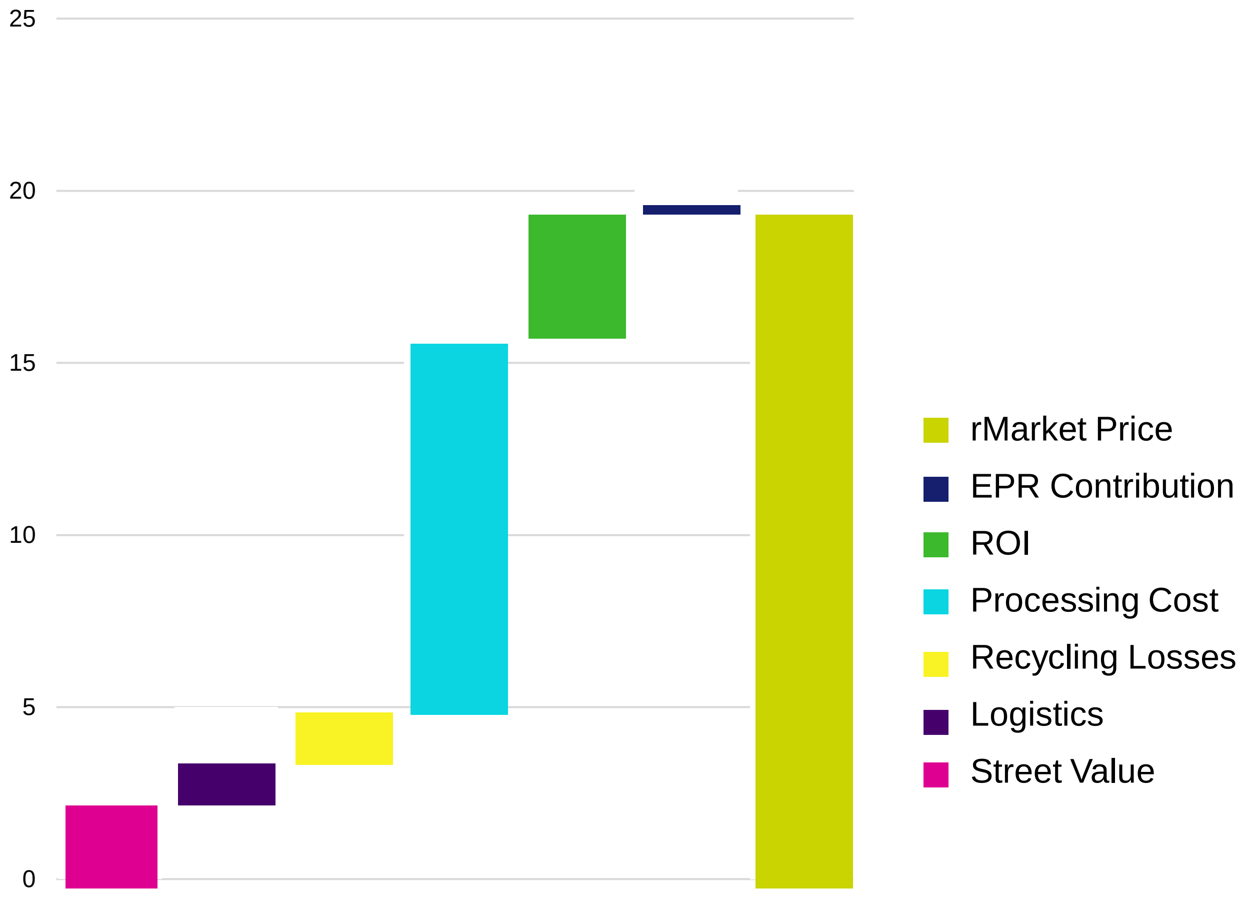
- rMarket Price
- EPR Contribution
- ROI
- Processing Cost
- Recycling Losses
- Logistics
- Street Value

Closing the Gap

As targeted collection and recycling rate increases, value chain/economics change

Step 1: Organic Recycling

- No EPR support
- Materials with value are recycled at low levels



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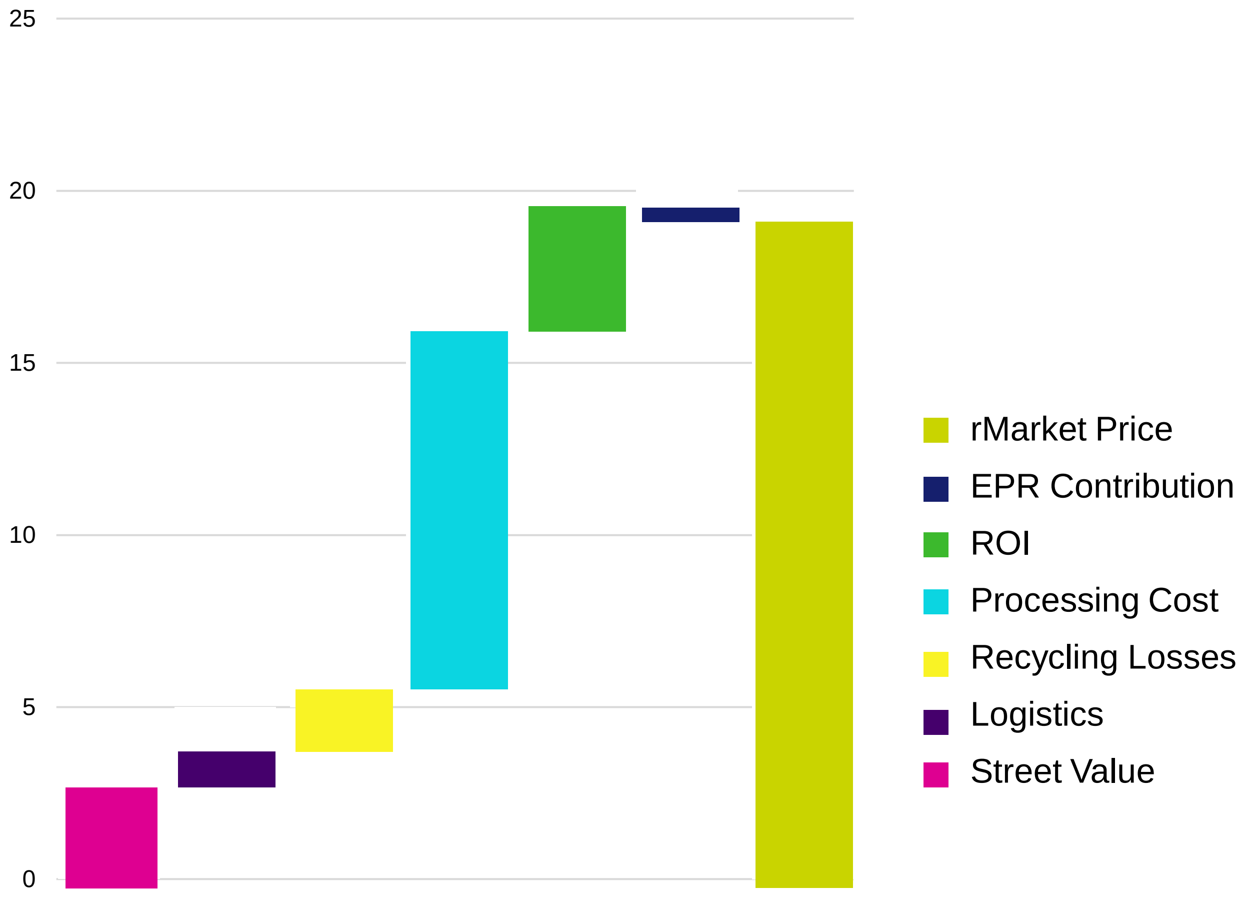

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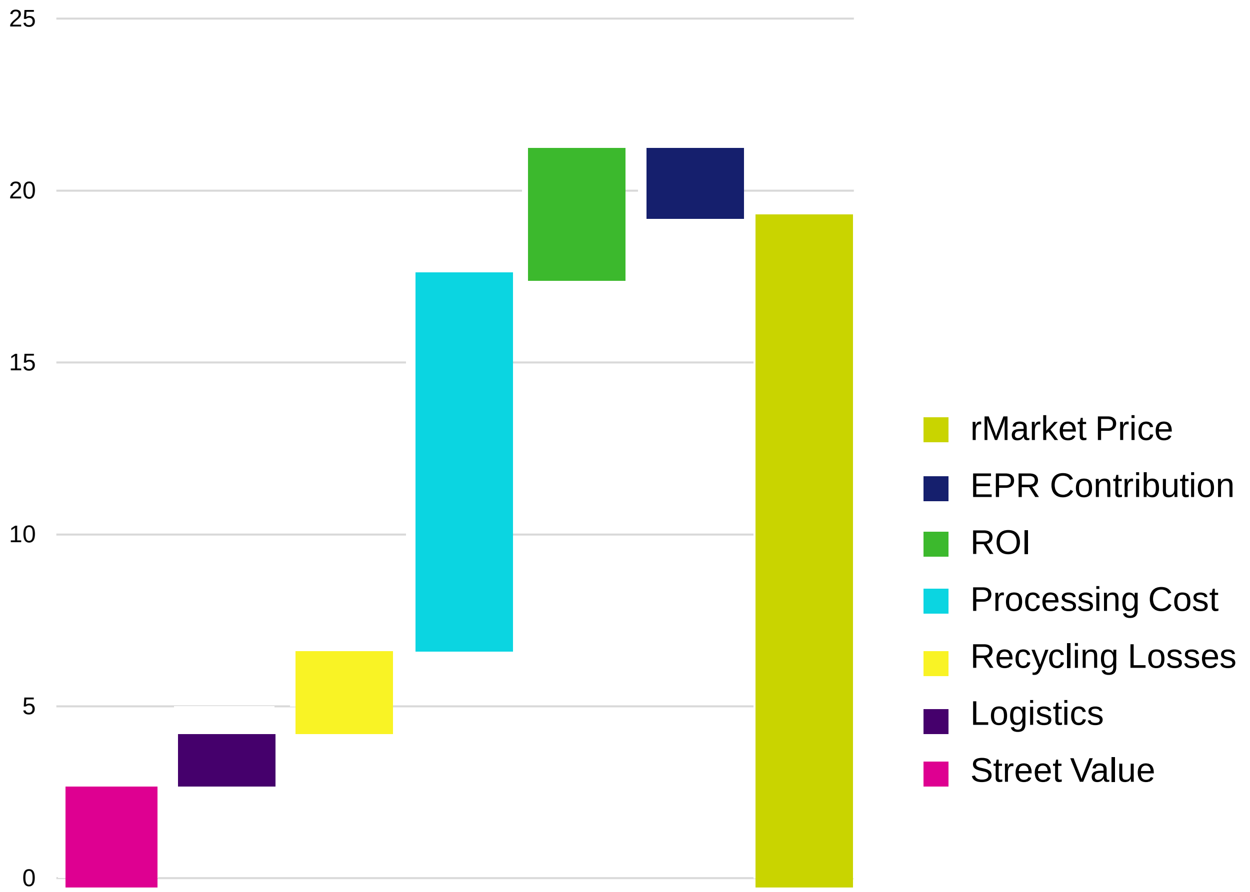
- Collection from a larger geography
- Increased support required to offset logistics



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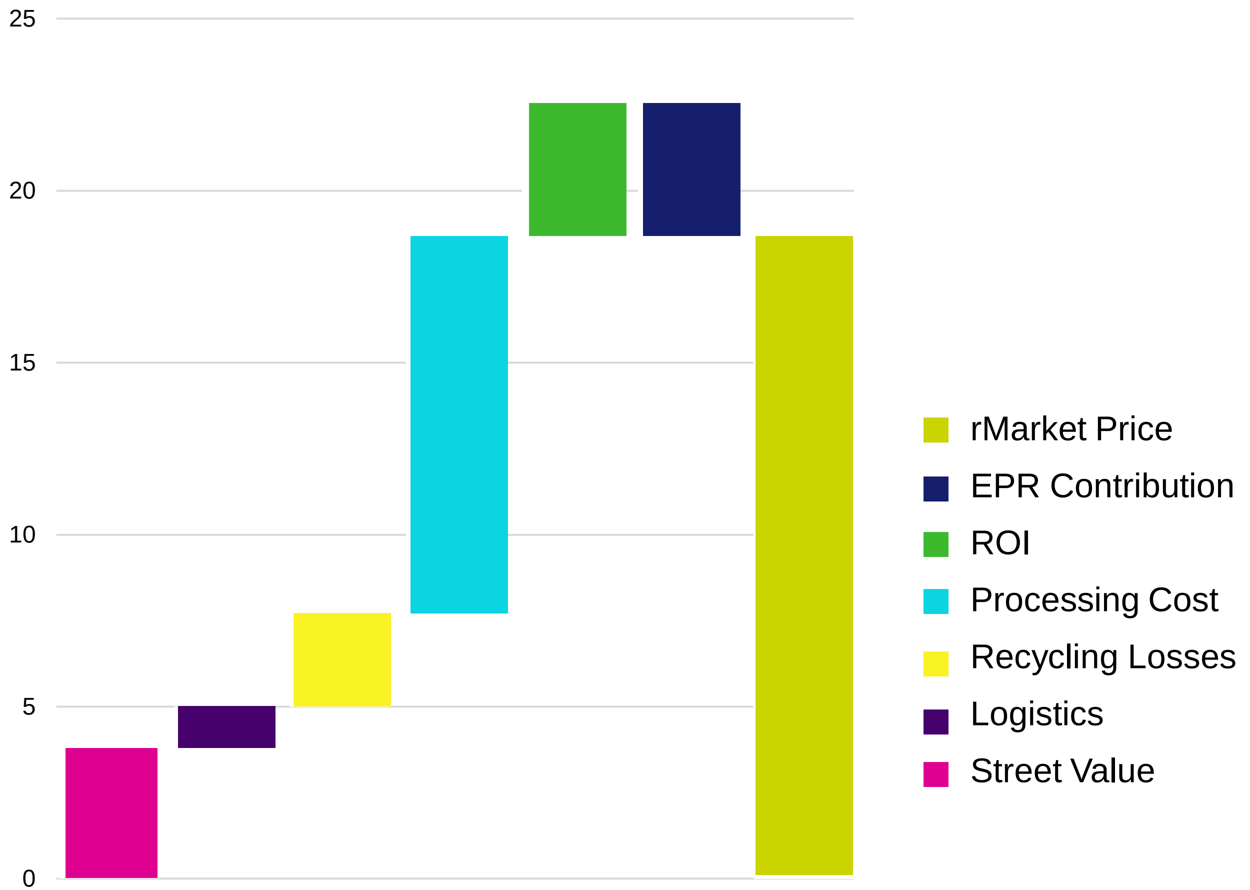
- Higher street value to access new material
- Increased investment / recycling = more support



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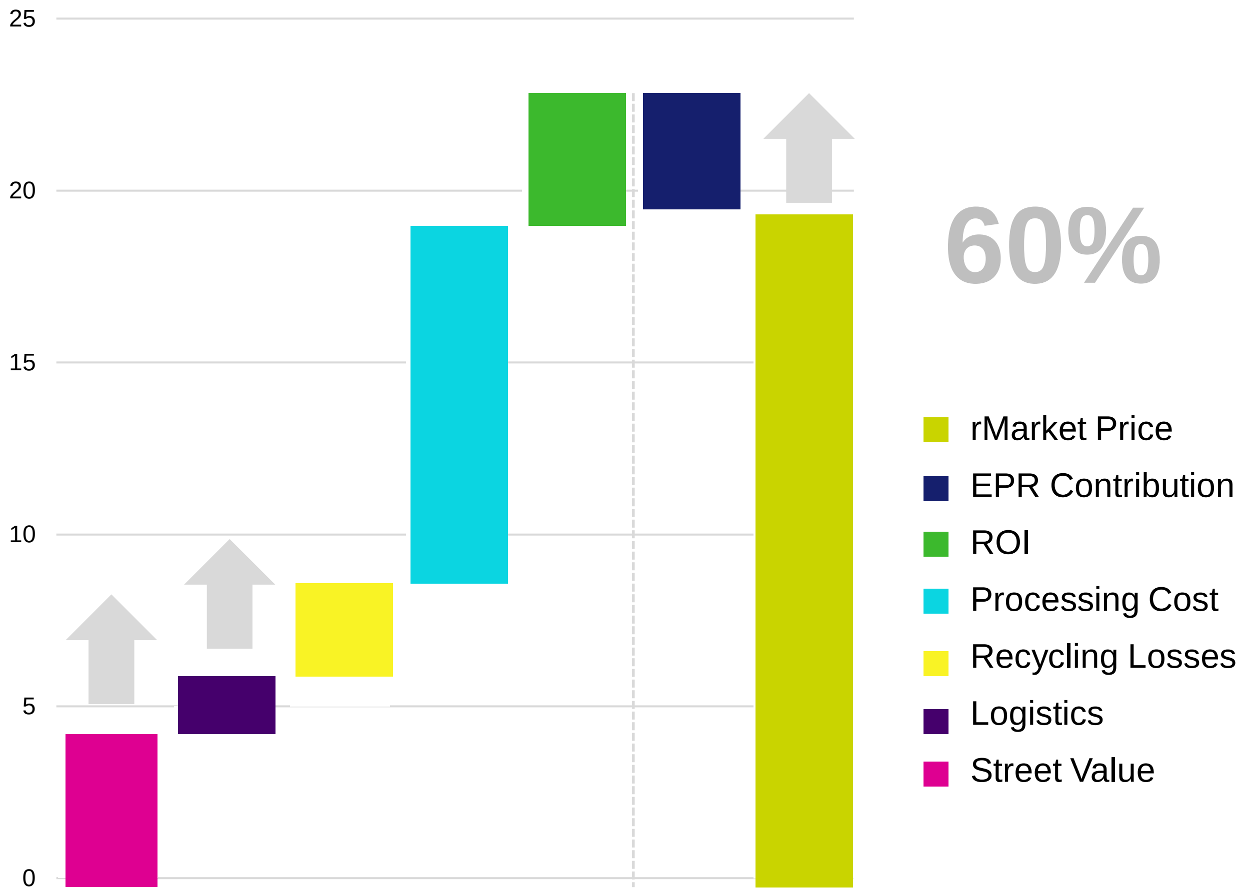
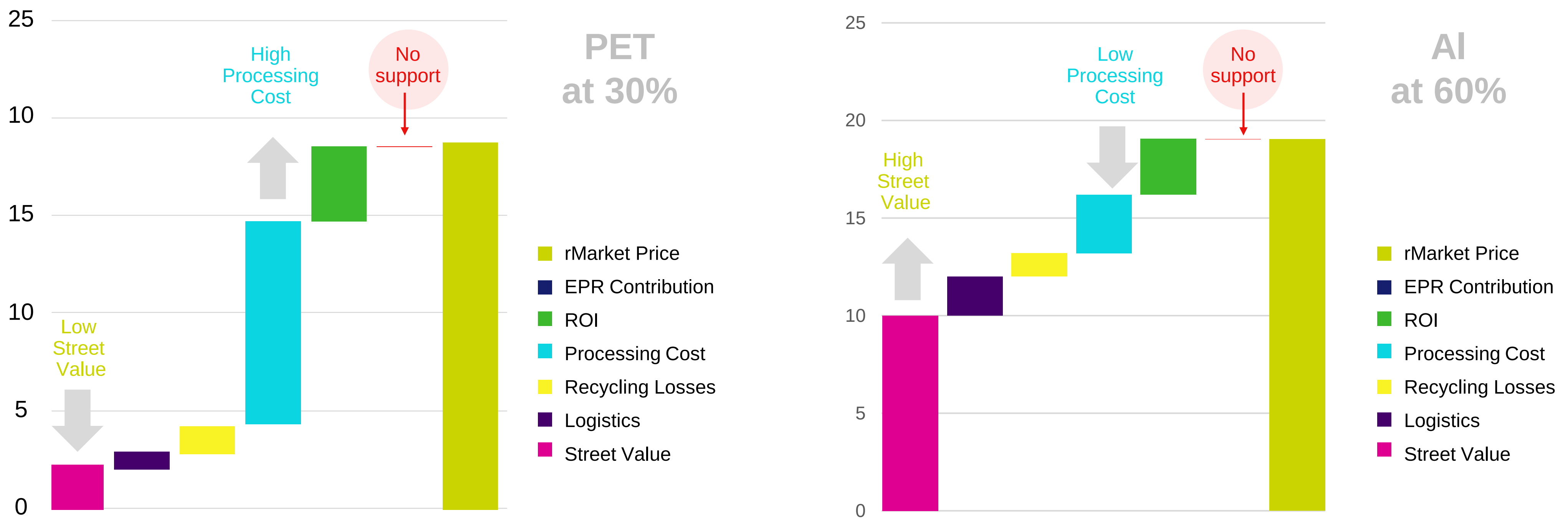
Step 5: Increased rMaterial value
- Demand / legislation increases PCR value
- Higher street value without increased support



Closing the Gap

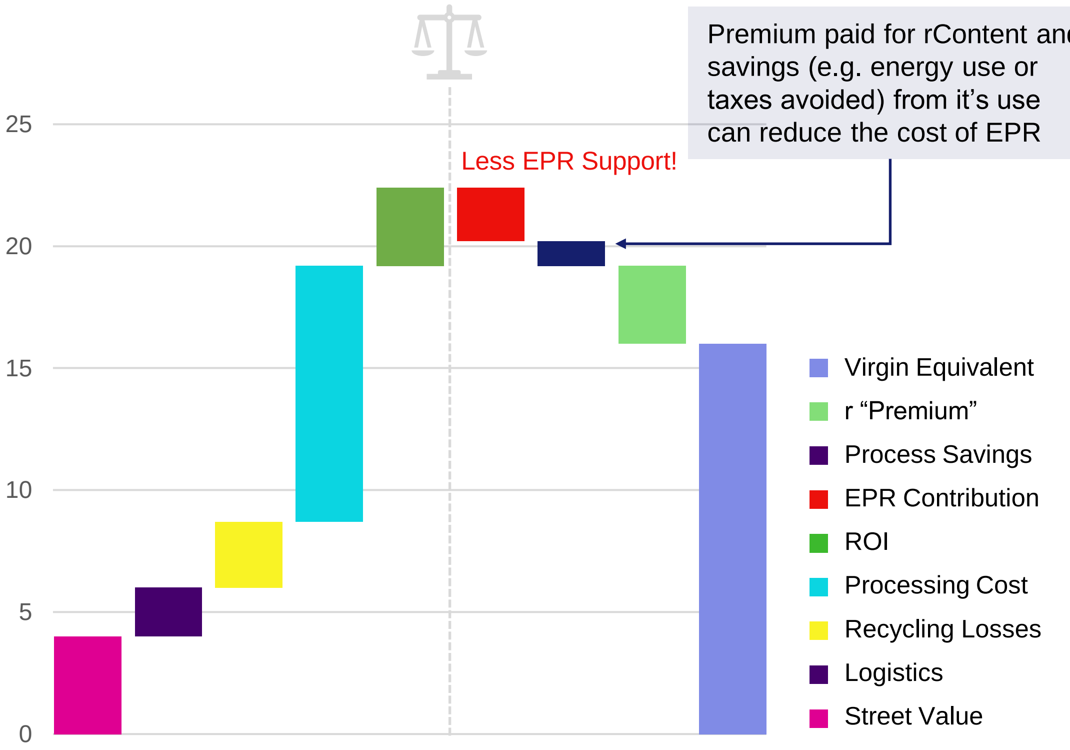
Value chains for competing materials can vary significantly!



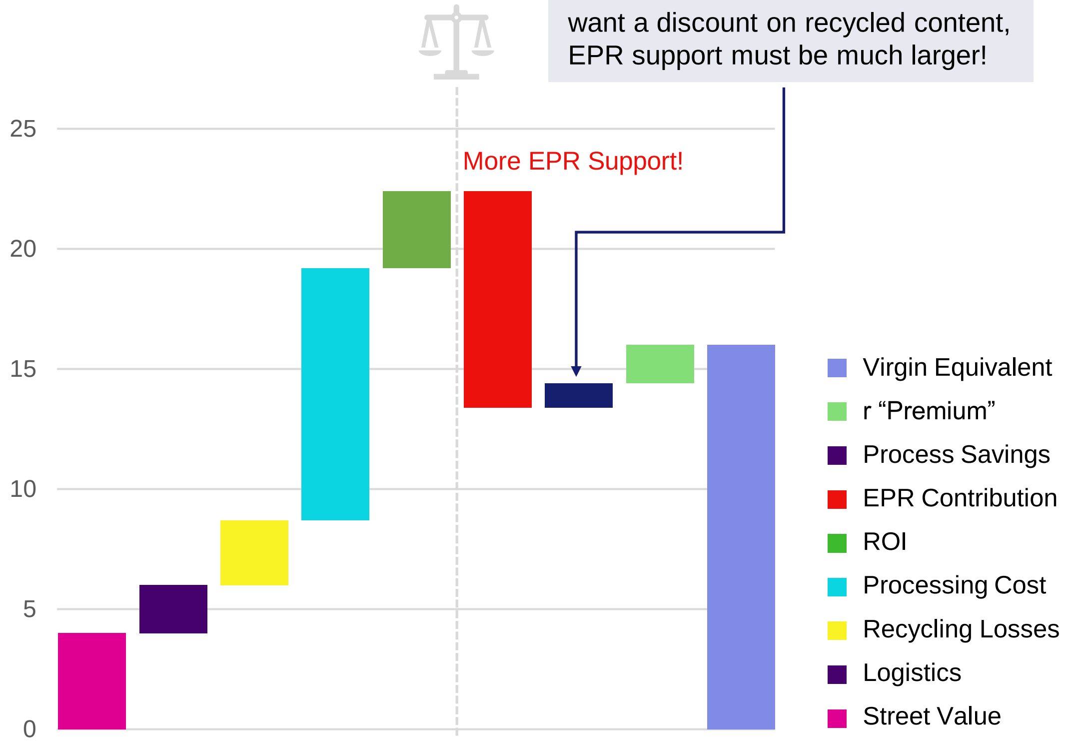
Varying models for Support

EPR support required varies considerably based on the value of the end product

Premium paid for rContent and savings (e.g. energy use or taxes avoided) from it's use can reduce the cost of EPR



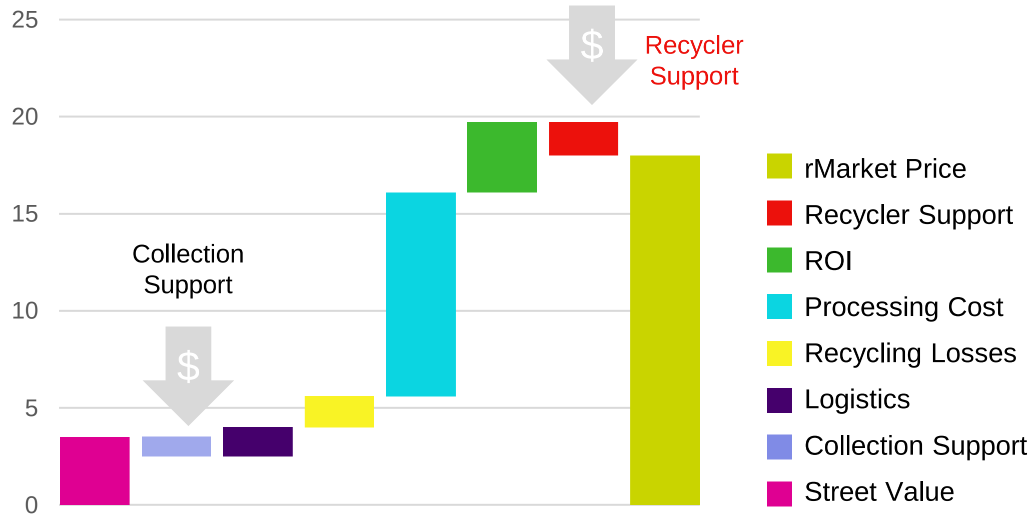
If using rContent adds cost to the markets and the market therefore want a discount on recycled content, EPR support must be much larger!

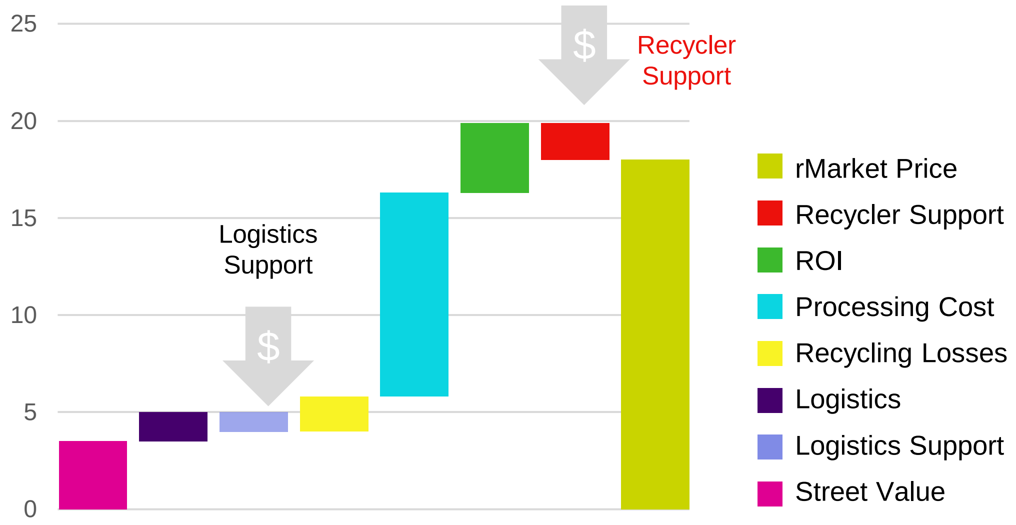


Varying models for EPR support

EPR support can vary greatly in terms of where and how it supports the value chain

- **Collection Support:** Applicable both to formal and informal channels to increase supply of PCR material without increasing the cost to the recycler.
- **Logistics Support:** Where transport of material to recycler is cost prohibitive, logistics support can enable collection and recycling from areas further from primary recyclers or end use markets.
- **Recycler Support:** Aims to close the gap between market pricing and required price for sustainable ROI.
- **Non-EPR Support**: Other non-EPR measures include government backed "green" incentives (E.g. lower taxes) and mandated recycled content targets to increase demand for which ultimately positively influence "rMarket Price".





Varying models for EPR support

Packaging material choices must consider end-of-life and disposal costs

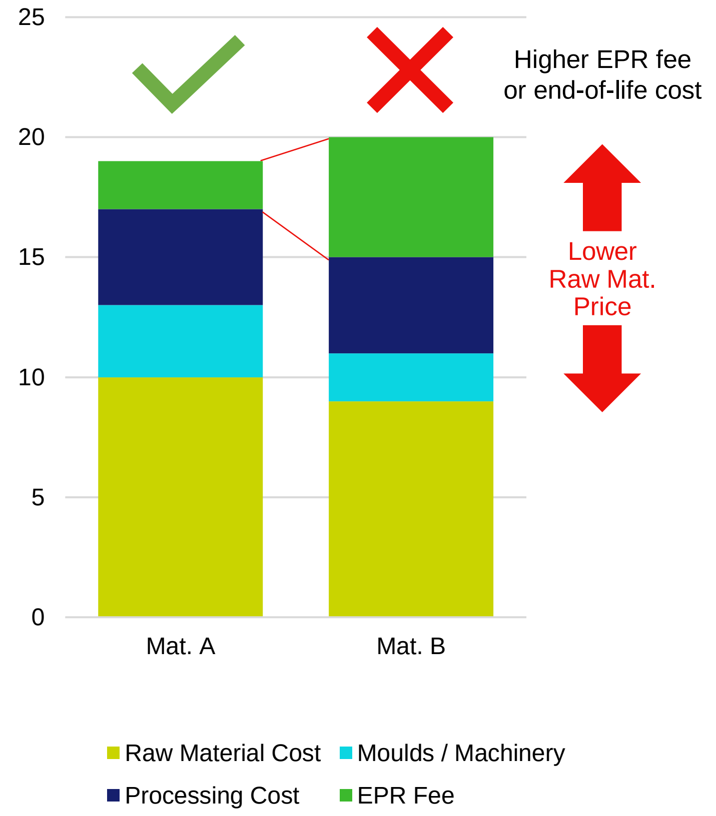
ECO-MODULATION: Approach that the full cost of any material should be considered and priced to the consumer of the material.

These costs include:

- Upstream costs
- Processing costs
- Downstream costs

END-OF-LIFE COSTS: Costs for the safe recycling or disposal of materials are seldom included unless applied by governments in a form of tax (e.g. carbon tax or plastic tax). The more difficult a material is to recycle or re-use the higher the end-of-life processing cost and EPR fee applied.

TOTAL COST: Under ideal conditions, with correct allocation of ECO-MODULATION fees, materials that are difficult to recycle will become too expensive to use.

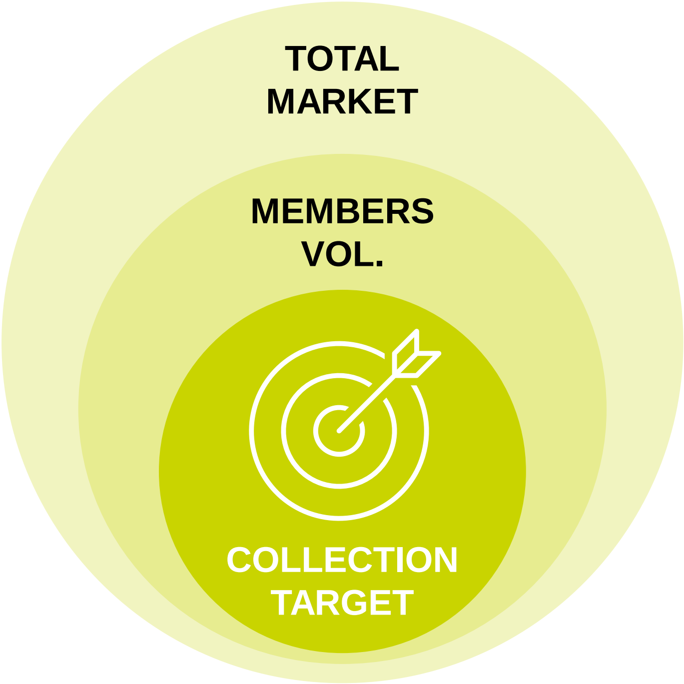


Unpacking the Petco model

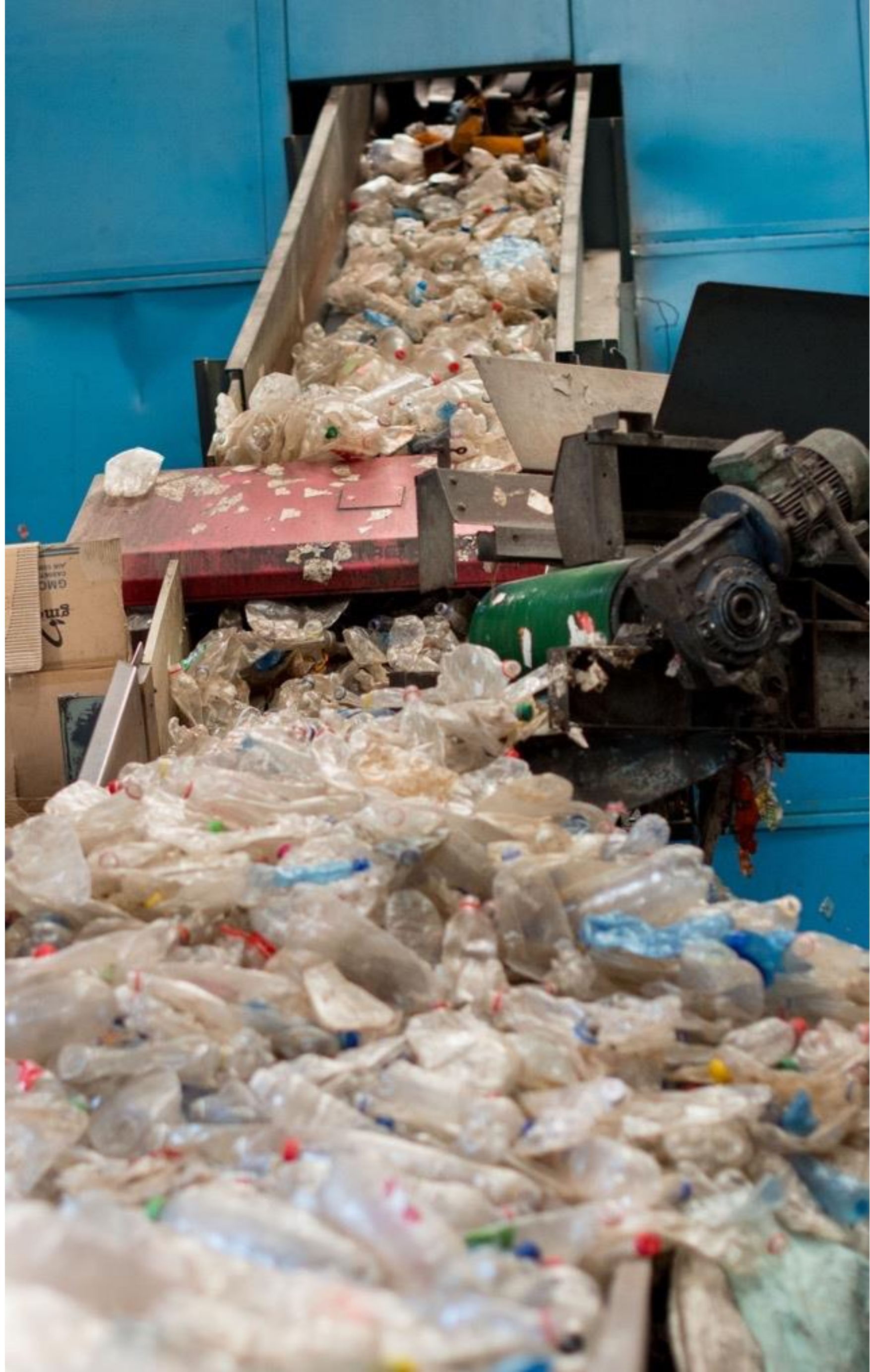
New EPR Scheme Calculations

EPR Fee Calculation

- EPR funding is largely determined by collection target
- Higher collection increases quantum of funding req.
- Collection target is expressed as % of members vol.
- Higher membership = higher targets = more funding
- Funding is thus dependent on final membership



Collection Target = EPR Target % * Members Volume



Understanding what members place in the market is critical to determining the job to be done, i.e. the collection target and the cost !

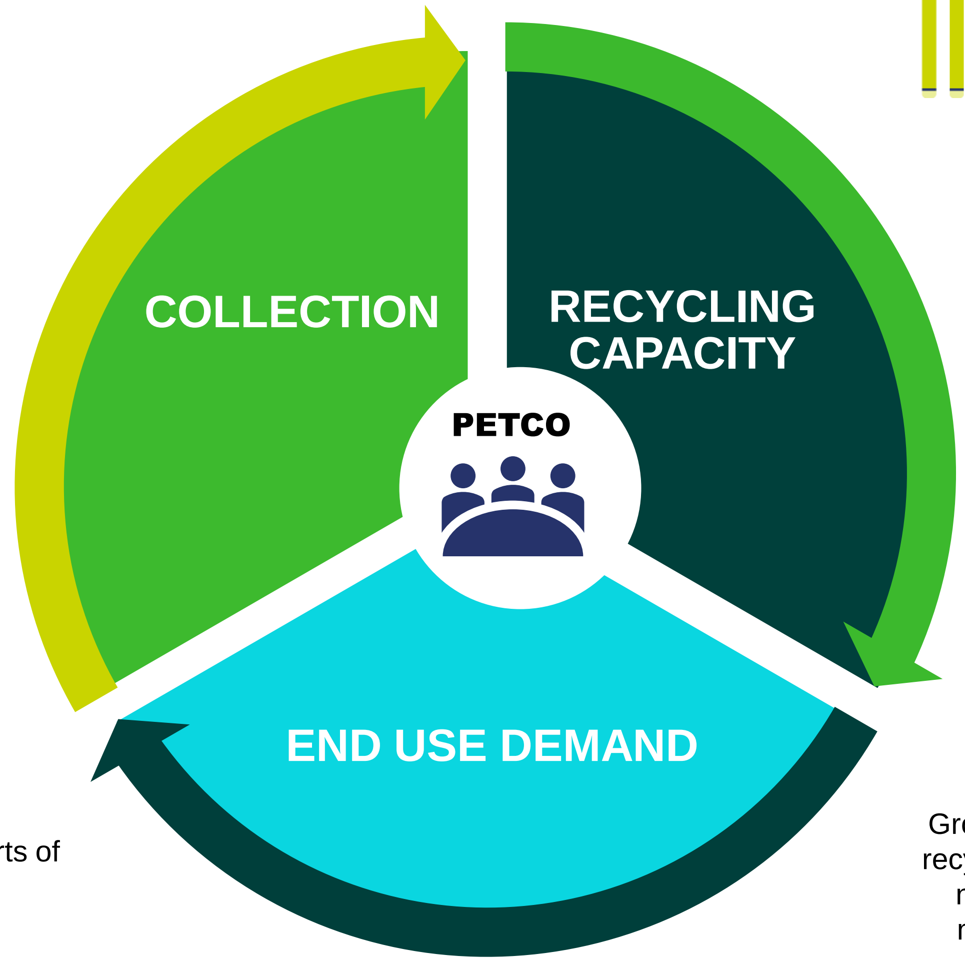
Balancing the value chain critical to EPR success

Target set for collection rate (%). Minimum targets aimed at EPR regulation compliance

INCREASE COLLECTION OF IDENTIFIED PRODUCTS!

rMaterial Exports

Although local circularity is preferable, exports of recycled material can be necessary!



‘Design for Recycling’ is critical to enable recycling & create capacity & capability

Develop & grow post-collection processing “capacity & capability” to match collection

REDUCE WASTE TO LANDFILL!

Waste Exports

Grow end-use demand for recycled content (circular & non-circular) locally to maximise circularity & recovered value

Waste to Energy

Although less desirable, waste exports & waste to energy are preferable to landfill.

Expenditure of EPR fees

1. **Education & Awareness**
   Used to promote participation by all stakeholders in the recycling value chain including sorting by consumers.
2. **WP Service Fee**
   Payments are made per R/kg to WP based on recyclables sold within system.
3. **Enterprise Development**
   Infrastructure & equipment
   Training & capacity development
   Logistics support
4. **Purchase Assistance Fee**
   Allocated to contracted recyclers to support prices paid to value chain and offer support to recyclers against fluctuating market dynamics.
5. **Finished Goods Support**
   Allocated to contracted recyclers to ensure the price for rMAT is competitive vs. alternatives.

2004

7,000

TONNES OF PET

R3.5M

STREET VALUE

2022

89,000

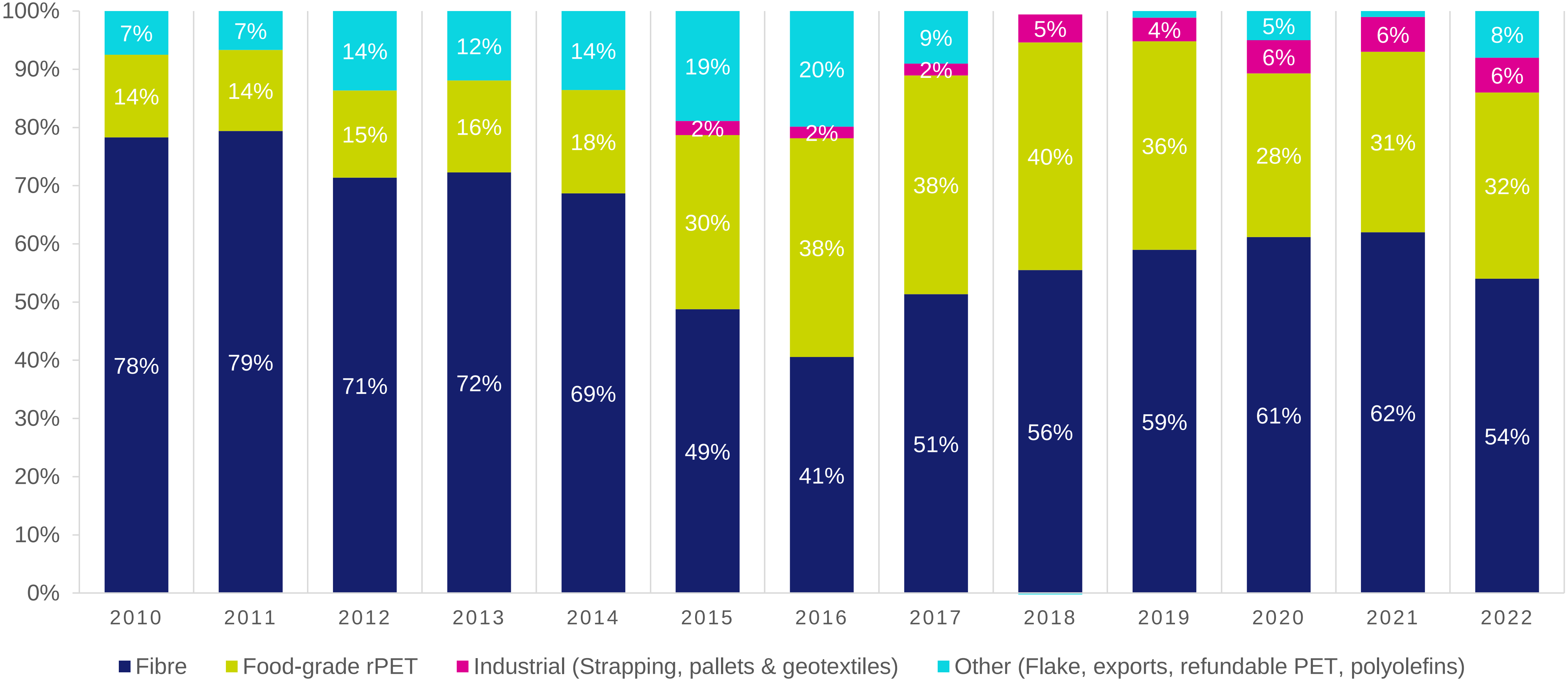
TONNES OF PLASTIC

R588.5M

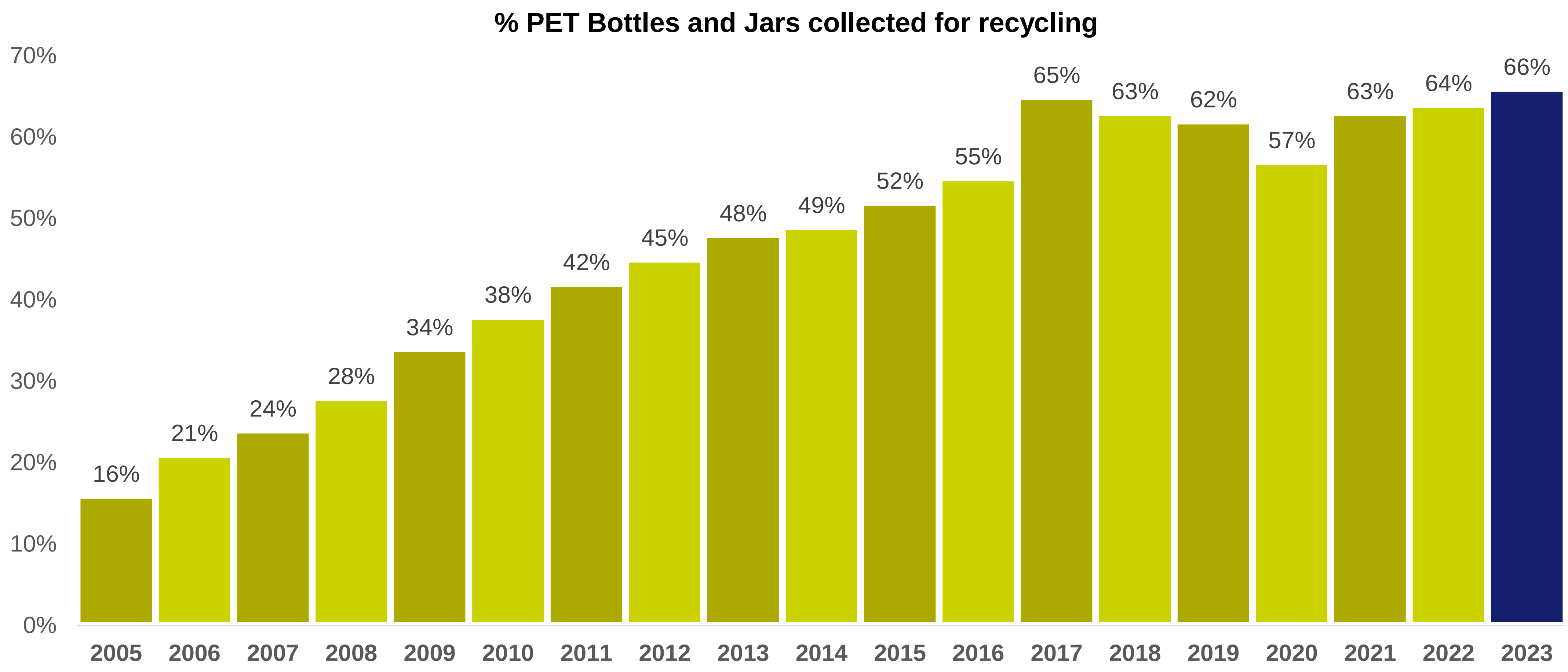
STREET VALUE

16 815%

Increase in the proportion of recycled material going toward food-grade rPET



Growth in PET bottles and jars collection



DFFE EPR guidelines: Current status

Update on DFFE EPR fee guidelines

DRAFT EXTENDED PRODUCER RESPONSIBILITY FEE DETERMINATION GUIDELINE

Industry consultation

8th September 2023

forestry, fisheries & the environment
Department: Forestry, Fisheries and the Environment
REPUBLIC OF SOUTH AFRICA

AQUA-AMANZI ENGINEERING SOLUTIONS

TOMA-NOW TOMORROW MATTERS NOW

Structure of Draft EPR Fee Guideline document

forestry, fisheries & the environment
Department: Forestry, Fisheries and the Environment
REPUBLIC OF SOUTH AFRICA

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Thank you