

ASX RELEASE

24 July 2024

Update on Draft Victorian Household Waste and Recycling Service Standard 2024

Following our 20th June communication, this is an update on the status of the Recycling Victoria draft proposed Household and Recycling Service Standard 2024 (Draft Service Standard) developed pursuant to the Circular Economy (Waste Reduction and Recycling) Act 2021 (the Act). The Draft Service Standard classifies certified compostable caddy bin liners, including caddy liners certified to AS 4736 and AS 5810 as non-accepted material in Victoria's proposed new standardised four-stream household waste and recycling system.

SECOS reiterates that it is deeply concerned and is actively opposing this Draft Service Standard, which close for final comment on 14 August 2024. The new classification is in clear misalignment with Australia's broader environmental commitments. Further the non-acceptance of certified compostable caddy bin liners is in direct conflict with one of the objectives of the Draft Service Standard which is to reduce the volume of household recyclables and organic material being sent to landfills.

The Draft Service Standard, in which the ban is proposed, has not formally been endorsed or adopted and has no force at law. SECOS is actively opposing the position presented in the Draft Service Standard.

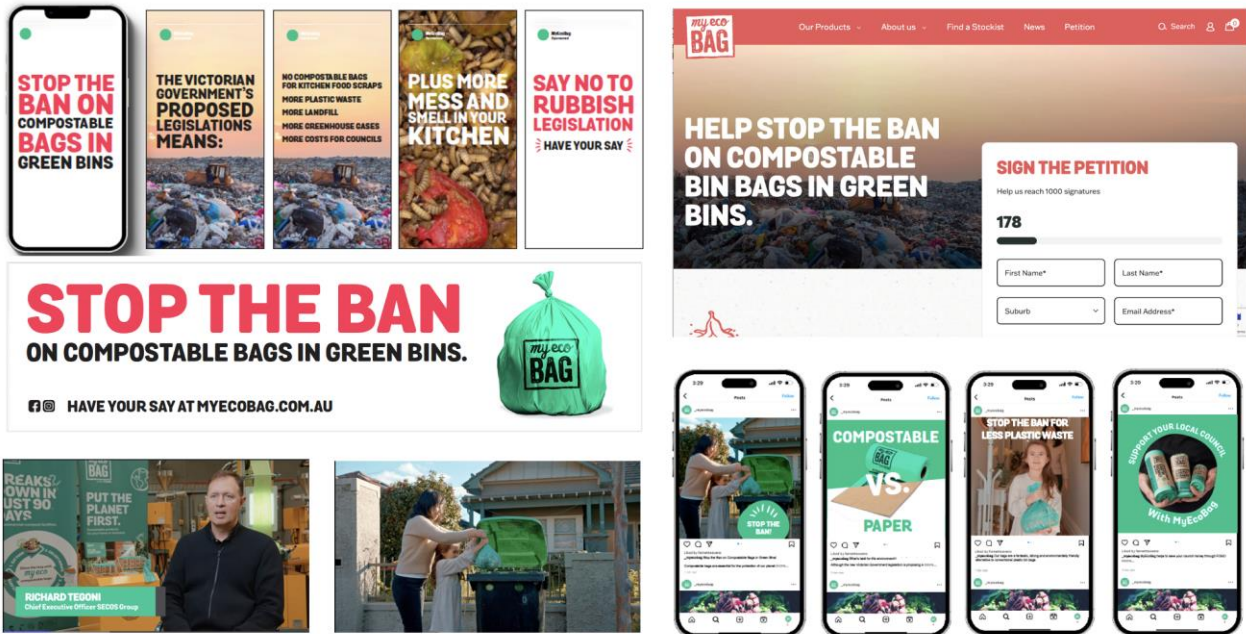
As part of this process, SECOS has and will continue to constructively engage with the Minister for Environment and his department, as well as stakeholders across the Victorian parliament and local government, to explain why the proposed ban is bad for consumers, bad for ratepayers, and bad for our environment.

To this end, SECOS met with the Office of the Minister for Environment requesting that the State Government revert to its original position and allow certified compostable caddy bags in the FOGO stream. As a result of this meeting, the Department of Energy, Environment and Climate Action (DEECA) has been asked to substantiate several of the claims made on Page 39 of the [Regulatory Impact Statement](#).

SECOS is proactively meeting with other Members of Parliament from across the government, opposition, and crossbench. We have also reached out to more than 180 Councillors in local government areas across Melbourne and regional Victoria, alerting them to the potential impact on residents and calling on Councillors to oppose the ban on certified compostable plastic caddy liners. Additionally, we are working closely with Councils we currently supply with compostable bags, providing them the necessary information and support to advocate against the proposed ban.

In tandem with government lobbying efforts, SECOS is undertaking a marketing campaign to mobilise public support against the proposal and to sign our petition at myecobag.com.au/stop-the-ban-petition. This includes outdoor billboards, shopping centre media and paid social media advertising on Facebook, Instagram, Google and YouTube. Additionally, SECOS is engaging in public relations activity and collaborating with social media influencers to maximise our reach and impact.

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SECOS has determined, through analysis of the Draft Service Standard, the Regulatory Impact Statement (RIS) and discussion with Recycling Victoria and the Office of the Minister for Environment, that despite over 80% of Australian FOGO councils currently providing or allowing compostable caddy bags, a small minority of commercial composters have influenced the government to change their original position of accepting certified compostable bags. This small group claim compostable caddy liners contaminate FOGO waste streams. However, the opposite is true, with compostable caddy bags playing a vital role in minimising FOGO contamination. In fact, the average FOGO green bin contamination is already very low at only 2%, compared to 11% for yellow bin recycling. The best performing FOGO councils have contamination rates as low as 0.4%. This data demonstrates contamination is entirely manageable with the right efforts.

SECOS addresses claims made in the Draft Service Standard and RIS as follows:

- Certified compostable caddy bin liners cannot be adequately replaced with newspaper, paper towels or paper caddy liners. While these alternatives might seem convenient and eco-friendly on the surface, they fall short in several critical areas. The paper caddy bags deemed acceptable in the Draft Service Standard are particularly impractical and unsuitable for the following reasons:
 1. **Hygiene issues:** Food scraps generate a significant amount of moisture, causing paper bags to quickly go soggy and fall apart. They also fail to contain odours and don't keep out pests. As a result, households will have to contend with wet food waste spilling and leaking, creating unhygienic conditions.
 2. **Cost:** Paper bags are approximately four times more expensive than compostable caddy bags, placing an unnecessary financial burden on councils if they are forced to offer paper bags instead of compostable bags.
 3. **Environmental impact:** Paper bags are made from trees, which could lead to further deforestation and depletion of natural resources. In contrast, compostable bags are made from corn, a renewable resource that has a lower environmental impact.

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4. **Carbon emissions:** [Producing paper bags requires](#) four times more water than compostable plastics and generates 3.1 times more greenhouse gases.
 5. **Efficiency:** The size and limited durability of paper bags mean that households will need to use significantly more of them to divert the same amount of food waste as with compostable bags.
 6. **Certifications:** Paper bags are not independently certified or tested to the same standard as compostable bags are and therefore, posing a significant contamination risk if left unregulated.
 7. **Logistics:** Transporting paper bags require considerably greater transport costs because they [weigh around eight times](#) more than compostable plastic alternatives.
 8. **Chemical safety:** Paper bags are often lined with untested or unregulated materials that may not fully decompose and be harmful to soil and compost quality.
 9. **Public Misconception & Impact on Innovation:** Victorian Government mandate to use paper bags mislead the public into thinking they are more environmentally friendly, limiting the development of alternative technologies to replace damaging conventional plastics
- Current research shows that households within Local Government Councils that use certified compostable caddy bin liners [divert up to 30% more food waste](#) than households not permitted to use them.
 - The stated financial savings to Local Government Councils outlined in the RIS are overstated because this data has been derived from households where 67% of FOGO councils currently utilise certified compostable caddy bin liners to divert food waste from their homes. This will not be the case if compostable bin liners are not permitted.
 - The RIS fails to acknowledge the likely significant increase in plastic use or production that will occur if certified compostable caddy bin liners are not permitted.
 - The RIS inappropriately claims that certified compostable caddy bin liners cause contamination in FOGO waste streams. This is an untrue claim from a few processors that only currently represent less than 20% of all Local Government FOGO Councils who have inferior composting facilities. The data indicates the reverse to be true, with compostable caddy bags playing a vital role in minimising FOGO contamination.
 - The RIS misrepresents that processors' efficiency is reduced with the use of certified compostable caddy bin liners as they are only quoting a few processors that represent less than 20% of all Local Government FOGO Councils, who have invested in composting facilities and equipment with very limited capability to accept the full range of organic material. Processors should be mandated to accept all organic material regardless of their economic benefit to them.

A decision to ban certified compostable caddy bin liners will:

- Discourage households to separate their food waste resulting in an increased amount of organic waste going to landfill causing harmful greenhouse gases.
- Increase landfill costs for councils and ultimately rate payers. [Modelling shows](#) that a 30% reduction in organic food waste sent to landfills saves councils approximately \$1.6 million annually. Even councils that provide compostable bin bags to residents at no cost achieve annual savings of around \$600,000.

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- Make it less hygienic, safe, and practical for people to separate and handle their food waste.
- Increase the amount of contamination in our soils of which compostable bags have been proven to reduce.
- Increase CO2 emissions. Modelling based on data from the [NSW EPA](#) and [MRA Consulting Group](#), one of Australia's leading environmental consulting agencies, indicates that not allowing certified compostable bags in FOGO equates to nearly 3 million tonnes more CO2 being emitted every year.
- Likely increase the amount of conventional plastic in our environment.
- Reduce investment in developing compostable technology in Australia.
- Unfairly benefit traditional plastic companies over legitimate and environmentally friendly alternatives such as compostable plastics.
- Make Victoria the only State in Australia and to our knowledge the only jurisdiction in the world to ban certified compostable bags.
- Limit the standard of composting infrastructure and technology by allowing restrictions on what types of organic waste can be composted.
- Contradict over 80% of local government FOGO councils across Australia that currently use compostable bags to support the implementation of FOGO programs with excellent results.

The deadline for consultation is 11.59 pm on 14 August 2024, marking the last opportunity for all stakeholders to express their concerns before the Proposed Service Standards are enacted and enforced from 1 July 2027. The Company is committed to preventing these Draft Services Standards from being implemented to the extent they apply to compostable caddy liners, given the Company's certified compostable caddy bin liners significantly enhance environmental outcomes by [diverting over 30% more organic household waste](#) from landfills and for the other reasons provided above.

We encourage all shareholders to sign our petition to stop the ban [here](#), lodge their objection against the Draft Service Standards by participating in the government survey [here](#) or to contact their local member of parliament.

SECOS will continue to seek engagement with the Victorian Government and inform shareholders appropriately. A formal submission will be made by SECOS as part of the ongoing consultation process.

This announcement was authorised for release by the Board of SECOS Group Limited.

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and films to a blue-chip global customer base. SECOS Group is integrated from resin production, into film and can develop bespoke compostable solutions for a range of applications.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fuelling the Company's growth.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in China and a resins plant in Malaysia.

SECOS has sales offices in Australia, Malaysia, China, Mexico and the USA, with a network of leading distributors across the Americas, Europe and Asia.

Disclaimer and Explanatory Notes Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning SECOS' planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "budget", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although SECOS believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, including but not limited to risks and uncertainties relating to impacts that may arise from Covid-19, and no assurance can be given that actual results will be consistent with these forward-looking statements. SECOS confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

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