

COEX

CONTAINER EXCHANGE

Annual Report

2018-2019



On our cover

The introduction of the Containers for Change scheme has created more than 620 jobs across the state. During 2018-2019 Sonja Smart was part of the team working at CQ Recycling and Recovery depot in Gladstone, part of the scheme's Container Refund Point network.

Image - Newscorp

We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

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Chair's Message



Welcome to the 2018-2019 Container Exchange (COEX) annual report. The pages within highlight the achievements of our organisation and the people of Queensland since the introduction of Queensland's Container Refund Scheme - Containers for Change.

Prior to the introduction of the scheme, Queensland was the most littered state in Australia and beverage containers were the second most common type of rubbish found in our parks, waterways and bushland.

Something had to be done and in October 2017 legislation was passed that paved the way for the introduction of a container refund scheme in Queensland. Importantly, the legislation was passed with bi-partisan support, with all sides of the political landscape agreeing it was time to act.

In October 2018 COEX was officially appointed as the private, commercial and not-for-profit organisation charged with operating the Containers for Change scheme. The arrival of the scheme has given many regional and remote Queensland communities their first experience of recycling – and they are loving it.

The scheme has also created more than 600 new jobs in Queensland with families starting businesses, employing locals and contributing to the places in which they live and work. Many of these jobs have gone to long-term unemployed Queenslanders, giving people the chance to learn new skills and more fully participate in their communities. Community groups and charities have been given the opportunity to raise funds and, in turn, help those doing it tough across our state.

The face of the scheme changes as you travel from town to town – beachside nippers are cleaning our coastlines, city dwellers are raising funds for charities, country kids are funding footy trips and kids in some of our most remote towns are picking bushland clean to earn extra pocket money. It's fantastic to see.

I want to express my thanks to my fellow Board members for their work to develop governance systems and provide advice to an organisation working at the frenetic pace of a start-up. We work closely with COEX's CEO Ken Noye and I congratulate him and his team on their tireless efforts to introduce and continually improve upon the scheme.

I hope the stories in this Annual Report inspire you to make your own change and join us as we all work to keep Queensland beautiful.

Yours sincerely,

Mark O'Brien AM

Board Chair
Container Exchange

CEO's Message



It is my pleasure to provide you with this report on the activity of the Container Exchange (COEX) team as we worked throughout 2018-2019 to design, implement and manage the operation of Queensland's Container Refund Scheme (CRS) – Containers for Change.

Living in Queensland can be thirsty work – in fact Queenslanders use and discard almost three billion beverage containers a year. Prior to the introduction of the CRS many of these containers ended up in our natural environment or in landfill, making up 44% of all litter found in the state. It was a statistic that had to change.

The scheme commenced on November 1, 2018 with a focus on reducing beverage container litter and increasing recycling. The launch was a massive undertaking with 252 sites across the state opening on day one. Since then, by implementing a clear strategy with defined targets, our team and the people of Queensland have achieved some remarkable results.

We've provided the opportunity for Queenslanders to change their future by starting new businesses and they, in turn, have provided jobs to locals. We've provided community groups and charities with a new channel to engage supporters and raise funds which has helped them improve the valuable services they offer.

While our team are focussed on achieving the performance targets you will find within this report they are also working towards a more far-reaching vision, looking to our future horizons to provide Queenslanders with a world-class scheme.

COEX will continue to work collaboratively with the waste and recycling industry, with the Queensland government and local councils on this important initiative which is adding real value to our communities, the environment and the Queensland economy.

We are grateful for the support and constructive advice from the Department of Environment and Science and our Board of Directors. I would also like to thank the team at COEX whose commitment, determination and energy has delivered a scheme of which Queenslanders can be proud.

Wherever you go in Queensland the result is the same – the scheme has reduced beverage container litter by more than 35%. We have removed this litter from our natural environment and landfill and put refunds back into the hands of Queenslanders.

Yours sincerely,

Ken Noye

CEO
Container Exchange

WHO WE ARE

COEX has established a set of values which guide our culture, our actions and our decision-making.

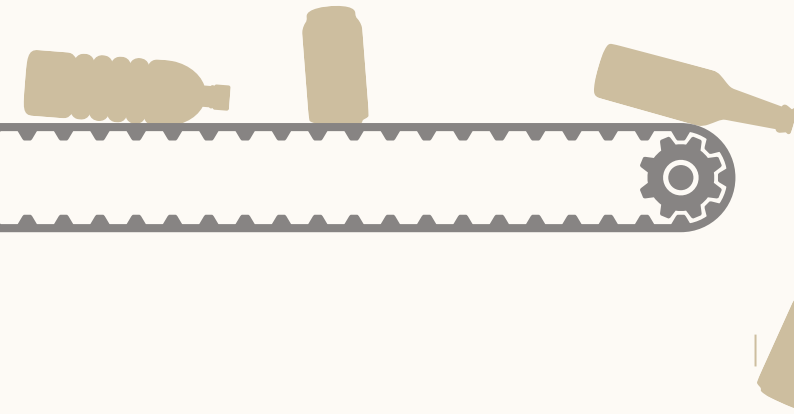


KEEPING QUEENSLAND BEAUTIFUL

A world-class beverage container refund scheme.

			
GOALS	CUSTOMER & COMMUNITY FOCUS <ul style="list-style-type: none"> › Drive awareness and education › Seamless customer experience › Support social enterprises and community organisations 	EFFICIENT & SUSTAINABLE OPERATIONS <ul style="list-style-type: none"> › Deliver efficient recovery and recycling rates › Ensure long-term viability 	INDUSTRY PARTICIPATION & COLLABORATION <ul style="list-style-type: none"> › Balancing multiple stakeholders including processors, MRFs and beverage manufacturers
STRATEGY	<ul style="list-style-type: none"> › Social responsibility › Public awareness › Accessibility › Customer choice 	<ul style="list-style-type: none"> › Workplace health, safety and environment › Operations excellence › Effective contract management 	<ul style="list-style-type: none"> › Scheme integrity › Waste industry collaboration › Beverage industry participation
OBJECTIVES	<ul style="list-style-type: none"> ♻️ Increase recovery and recycling 🗑️ Reduce littering and landfill disposal 👤 Opportunity for social enterprise 	<ul style="list-style-type: none"> ♻️ Increase recovery and recycling 👤 Beverage manufacturers responsibility ⚙️ Complement existing activities 	<ul style="list-style-type: none"> 🗑️ Reduce littering and landfill disposal 👤 Beverage manufacturers responsibility ⚙️ Complement existing activities
TARGETS	<p>80% public awareness by 2022</p> <p>307 container refund points by Nov 2019</p>	<p>85% of sold containers recycled by 2022</p> <p>98% of payments made on time</p>	<p>100% conformance to audit plan</p> <p>95% execution of container recovery agreements</p>

Our Impact



Each year approximately three billion beverage containers are sold in Queensland. Many of these end up in our natural environment – in fact before the introduction of the Containers for Change scheme beverage containers were the second most littered item in the state.

While there is still work to be done COEX, through our operation of the scheme, is proud to have been able to help Queenslanders change the state we're in.

From November 1, 2018 to June 30, 2019 the scheme has had an impact:

over
617m
Containers returned

over
\$61m
Returned to customers
incl. GST

292
Refund points
across the state

188,966
Customer registration
for scheme IDs from
individuals, community
groups, charities and
businesses

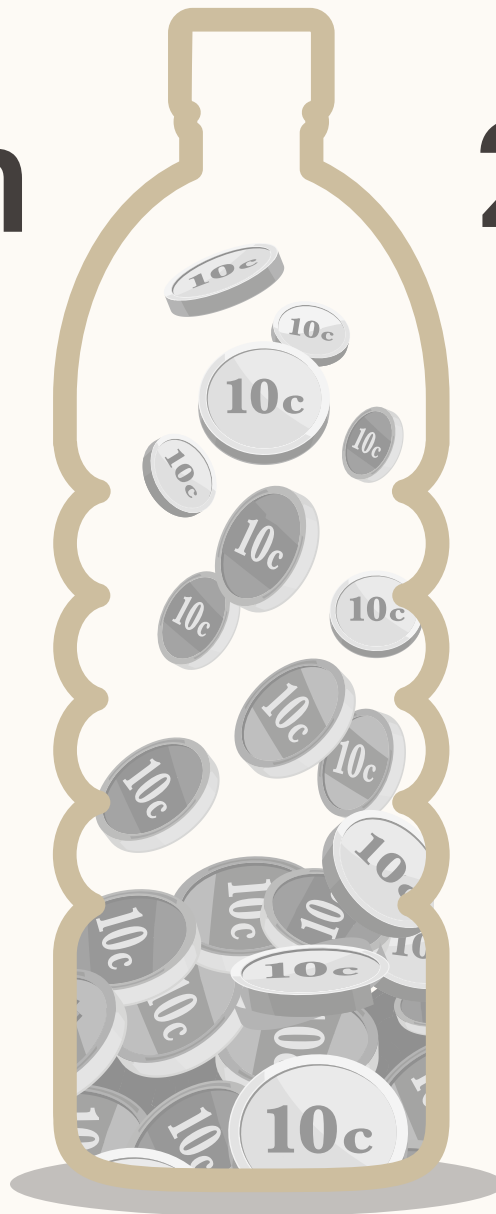
2,608
Charities and community
groups registered for
scheme IDs

626
Jobs for Queensland

\$863,897
Returned to charities
and community groups
via scheme IDs

35%
Reduction in beverage
container litter*

*Department of Environment
and Science litter survey
February 2019

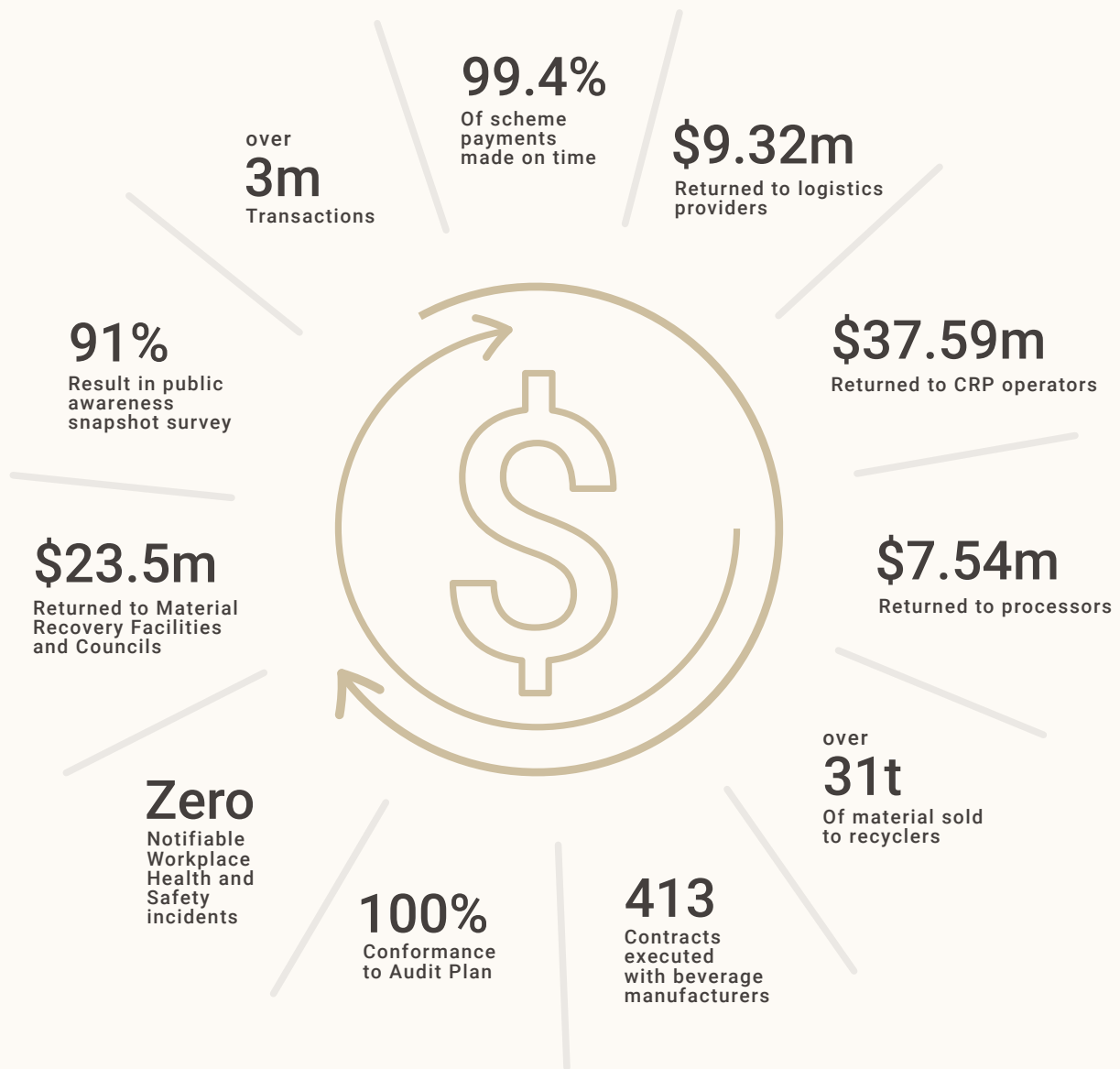


Our Performance

Our not-for-profit status allows us to invest all surplus funds back into the operation of the scheme.

Working to continuously improve the experience of our customers and service providers we are on our way to delivering a world-class container refund scheme.

Our performance from November 1 2018 to June 30, 2019:



A Focus on Customers and Community

Targets



80%

Public Awareness by 2022



307

Container Refund Points by
1 November 2019

PUBLIC AWARENESS

The people of Queensland are at the heart of the Containers for Change scheme. From children collecting containers for extra pocket money to long term unemployed finding a job. From family run businesses to charities raising much needed funds. Ensuring Queenslanders were aware of the scheme and understood how to participate in it was crucial to its early success for Queenslanders from all walks of life.

Consumer research carried out in early 2018 tested several campaign themes to ensure marketing and advertising material would resonate with target audiences. Looking to the latest trends in behavioural economics, the campaign motivator was loss aversion.

From August to October 2018 COEX partnered with environmental advocacy group *Boomerang Alliance* to take the Containers for Change message to the people of Queensland. Community forums were held in 34 locations across the state allowing residents, local businesses, council representatives and community groups to learn about the scheme and how their regions could benefit.

Specific forums were held with members of the Torres and Cape Indigenous Councils Alliance to

discuss the unique needs of these communities and work to develop tailored ways they could engage with the scheme.

Television, radio, print, social media and outdoor advertising were all used in the lead up to scheme launch with the tagline "There's cash in your containers". The campaign was designed to increase awareness and direct potential scheme users to the Containers for Change website where they could learn more about container eligibility and sign up for a Scheme ID.

A state-wide public relations campaign took the scheme message to media across Queensland and secured 1,569 pieces of quality earned coverage across broadcast, print and online media outlets in local, regional, metro and national outlets. This coverage reached an estimated audience of 179.6 million people.

Launch day saw more than 658,000 containers returned via 252 container refund points across Queensland. More than 7250 individuals, charities, community groups and businesses had registered for scheme IDs with many more opting to receive cash refunds or sign up to accounts with operators in the scheme.

A CLEAR FOCUS

Containers for Change, Queensland's container refund scheme, was introduced on 1 November 2018 to help clean up our state. Container Exchange (COEX) is the not-for-profit organisation created to establish and operate the scheme. Two of COEX's overarching aims are to increase recycling rates and reduce litter in our natural environment.

Each year, approximately three billion beverage containers are sold in our state alone and litter surveys show they are the second most littered

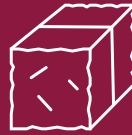
item. This is why the scheme focusses on drinks generally consumed away from home like soft drinks, water bottles, canned drinks and small flavoured milks. Drink containers generally consumed only at home, like cordial, plain milk, wine and spirit bottles are not eligible for a refund under the scheme but can still be recycled where facilities exist.

For more information about container eligibility visit www.containersforchange.com.au



Beverage Manufacturers

Companies who produce non-alcoholic and alcoholic beverages in containers that are eligible for a refund under the scheme



Processors

Facilities where containers are sent to be baled



Retailers

Outlets which sell eligible beverage containers to Queensland customers



Material Recovery Facilities

Where eligible containers that are disposed of in yellow top bins are retrieved and baled



Customers

Who purchase beverages in Queensland



Auction Portal

Baled material from Processors and MRFs is available for purchase to an approved panel of recyclers



CRPs

Container Refund Points are where customers return eligible containers for a refund. They can be depots, bag drops, mobile and pop up services or reverse vending machines.



Recyclers

Purchase scheme material from the auction portal and must recycle it



Logistics Providers

Transport companies that move scheme material from CRPs to processors



PRE LAUNCH



A pre-launch public relations campaign drew attention with a major art installation in King George Square. Mackay artist David Day was commissioned to produce a sculpture that represented the impact the scheme would have on Queensland's natural environment. The result was a giant fish made from 4000 eligible containers and standing more than three metres high and six metres long.



POST LAUNCH

Post launch the focus of campaigns shifted from awareness to education as Queenslanders familiarised themselves with the scheme and the ways they could benefit from it. Social media was an effective tool to highlight the range of CRPs available with Facebook, website and Instagram video content giving step by step tutorials on how to return eligible containers. Townsville performer and comedian Ian Zaro was appointed as an ambassador for the scheme, lending his appeal and social media reach to campaigns.

Late November 2018 a snapshot survey of 600 Queenslanders conducted by Colmar Brunton showed 91% of respondents were aware of the scheme. This result currently exceeds COEX strategic target of 80% awareness by 2022.

At June 30, 2019 scheme engagement had grown exponentially. More than 188,900 Scheme IDs had been registered as individuals, charities, community groups and businesses embraced the scheme. More than 3 million transactions were made to customers, CRPs, logistics providers, Material Recovery Facilities and processors. In excess of \$61,000,000 in refunds were returned to customers.

Accessibility

Ensuring communities across Queensland have access to the Containers for Change scheme is a strategic priority for COEX. Since scheme commencement the organisation has worked with industry, communities and local governments to secure sites in some of Australia's most remote towns. In some cases, the arrival of the scheme has introduced recycling to communities for the first time.

Prior to scheme commencement COEX engaged with operators from existing schemes in Australia and overseas to identify types of CRPs to include in the scheme. After considering factors such as customer convenience, network capacity, geographic location and commercial opportunity COEX decided on a combination of return modes. Over the counter and drive through depots, bag drops, mobile runs and reverse vending machines made up the range of CRP styles available to potential operators.

Between November 2017 and March 2018 COEX ran an open tender, market-led process calling for expressions of interest from individuals or companies wanting to operate CRPs in the scheme.

A strong response was received and to ensure probity, COEX partnered with top tier consulting firm KPMG to evaluate each response and award tenders based on set criteria.

When identifying locations for CRP sites, COEX worked with the state government to establish parameters to manage service expectations, particularly in regional and remote areas. Specific site locations were selected by individual CRP operators based on their local knowledge and council requirements.

Throughout July and August, a gap analysis was conducted to reveal regions still not serviced by the scheme. COEX's operations team carried out a

targeted engagement program in these areas and on scheme launch day the CRP network was 252 sites strong. To ensure as many communities as possible could engage with the scheme on day one COEX ran several pop-up services which have over time transitioned into permanent sites.

Post scheme launch COEX received a strong response from independent operators interested in the opportunities of operating a CRP and by the end of June 2019, 292 refund points were in operation around the state.

The geographic diversity of Queensland has presented challenges as COEX worked to provide CRP access across the state. Where possible COEX has worked with operators from other regional areas to service neighbouring townships through mobile runs and pop-up CRPs.

As the CRP network continues to grow market gaps are being identified and prioritised using a data-led decision making process. COEX is working with potential operators and local communities to tailor CRP solutions based on local demand and need.

87 Depots (drive through or over the counter)

47 Mobile and pop up services

148 Bag drops

10 Reverse vending machine sites



Murri Carnival

The Murri Carnival is an annual four-day rugby league competition for Aboriginal and Torres Strait Islander rugby league teams. The event attracts around 3000 participants and almost 30,000 spectators from junior, women's and men's rugby league clubs from across Queensland. In October 2018 COEX sponsored the event using the opportunity to raise awareness and understanding of the Containers for Change scheme.

The sponsorship was activated using a range of activities including appearances by Containers for Change ambassador Ian Zaro. The event was a valuable opportunity to engage with many regional indigenous communities in one location to highlight the environmental and social benefits of the scheme.





Servicing The State

Western Downs Outreach Project (WDOP) opened their Chinchilla depot at scheme commencement in November 2018. Originally open five days a week, the depot moved to seven day a week operation to meet community demand.

When an operator in Miles unexpectedly exited the scheme COEX approached WDOP to see if they were interested in operating a mobile run in Miles to service the local community. The WDOP team agreed and commenced the mobile service on June 1, 2019 visiting the town two days a week.

Since then WDOP have added more mobile sites, servicing the township of Tara twice weekly, Jandowae and Kogan on a weekly basis and Taroom and Wandoan twice monthly.

To June 30, 2019 WDOP have collected 3.8 million eligible containers through their Chinchilla depot and six mobile runs, returning \$380,000 back to locals in refunds. The Containers for Change scheme and the service provided by WDOP are creating jobs, supporting social enterprise and helping keep container waste out of the natural environment or landfill in this part of our beautiful state.



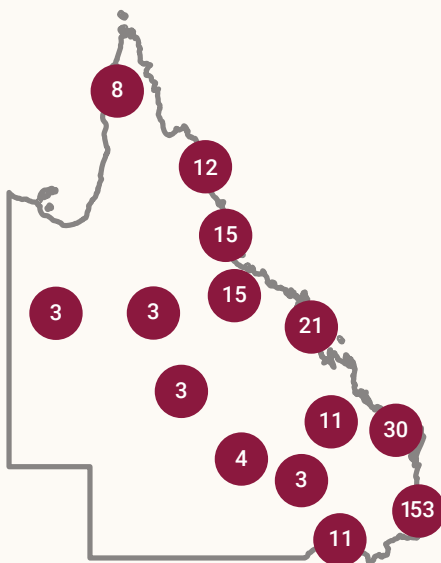
Our Container Refund Point Network

The Container Refund Point network footprint extends across Queensland from Texas in the south, to Mt Isa in the west, to Seisia in the far north and in various locations along the east coast.

The network offers customers a range of ways to return their containers including depots, bag drops, mobile runs and pop-up sites.

On October 30, 2018 Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts Ms Leeanne Enoch provided COEX with a Ministerial Direction. The Direction set specific targets and timelines relating to regional and remote community access to CRPs and the assurance that temporary CRPs sites operated by COEX should not unduly affect the operation of CRPs contracted to COEX.

At the end of June 2019 there were 292 container refund points in operation across Queensland.





Social Responsibility



The Containers for Change scheme offers an unprecedented opportunity for social enterprises, community groups and charities to engage the wider community to help them raise funds. The scheme itself also offers opportunities to social support agencies to find jobs for long term unemployed and disadvantaged Queenslanders, improving the well-being of individuals and communities across the state.

Charities garnered the support of local businesses and individuals to run donation drives. Schools mobilised parents and students to cash in while teaching about the environmental impact of recycling. Employment agencies worked with CRP operators to place clients in new jobs created by the scheme. And Queenslanders gained new skills that allowed them to become contributing members of their communities.

At June 30, more than 2,600 charities and community groups had registered for scheme IDs. These groups were paid almost \$864,000 in refunds via direct credit with many more funds being donated through cash payments.

More than 620 new jobs were created across the state, many in rural and regional economies. Some social enterprises elected to become CRPs as well as raise funds through container refunds, harnessing the dual benefits of increased revenue and employment for clients.





Cashing In For CQ Pet Rescue

CQ Pet Rescue has been part of the Containers for Change scheme since it began and to June 2019 the charity had raised \$8,550 from the scheme.

CQ Pet Rescue save animals that are on the euthanasia lists in council pounds and catteries. They are the only animal rescue in the entire Central Highlands region which includes Blackwater, Emerald, Springsure and Capella. They receive no government funding or subsidies.

While the financial benefits are clear, there are other positive outcomes from the group's engagement with the scheme according to Treasurer Susan Consedine.

"The community have been a massive part of this project and their support has made such a difference to our recycling project," Susan said.

"The local Maraboon Tavern give us all their cans and bottles for recycling, as do many other local businesses. The scheme is incredibly easy to engage with – the funds are simply deposited into our bank account, ready to be used."

The scheme is managed by CQ Pet Rescue volunteers including 76-year-old Selwyn Nutley who has collected more than 66,000 bottles and cans for the charity since the scheme began.





Danielle Fisher, Molly and Me Photography

Creating New Opportunities, Reef Recycling & Logistics

During 2018-2019 Reef Recycling & Logistics managed two containers refund points (CRPs) in North Queensland—one in Townsville suburb of Currajong and the other on the indigenous community of Palm Island.

The two over-the-counter depots have been in operation since the Containers for Change scheme launched on 1 November 2018. As at June 30, 27.2 million containers had been saved from the natural environment or landfill to be returned for refunds across the two sites. This equates to more than \$2.7 million back in the hands of residents and community groups.

Business has grown steadily since the sites opened as locals have embraced the scheme. At the Currajong site weekly container tallies of around 50,000 quickly grew and current deposits are now closer to one million per week. The significantly smaller population of Palm Island returned approximately 15,000 containers per week.

The popularity of the scheme in the area has had the added benefit of providing employment opportunities for locals. Reef Recycling & Logistics Director Lynne Lambert said as of June 2019, staff numbers at the Currajong site have increased by almost 50 per cent, with a total of 64 part-time workers employed at the refund point.

In addition to becoming a significant employer of Townsville locals, Reef Recycling & Logistics are an integral part of the community they work in, sponsoring local events such as the Castle Hill Fun Run and supporting several local charities such as disability and community support service Cootharinga North Queensland. The team also collect bottle caps from both sites for not-for-profit organisation Lids for Kids who, through charity partner Envision, recycle the material to make mobility aids for disadvantaged children.



“We work with several local employment agencies, including disability employment service provider Mylestones Employment, and not-for-profit organisation Workways Australia, who look to connect people from all backgrounds with employment opportunities,” Ms Lambert said.

HELPING CUSTOMERS ENGAGE WITH THE SCHEME

Prior to scheme commencement, COEX established a contact centre to assist customers to access and participate in the scheme, answer queries and handle complaints. The centre went live on November 1 and operated seven days a week.

The centre aims for a first call resolution result with queries or complaints handled in one communication. In cases where this cannot be achieved staff will seek information or advice from relevant business functions and handle the query to conclusion.

Customers can also provide feedback on their experience through the scheme via the Container Exchange and Containers for Change websites, directly with COEX staff, by letter or social media.

Staff and customers have access to Question and Answer libraries via the websites which are frequently updated as the business evolves and any operational changes to services are communicated to the centre staff prior in advance.

Customers are also informed of changes to their local services via geo-targeted electronic direct marketing.

In April, COEX's internal audit partner KPMG reviewed the organisation's complaints handling process to help maintain high levels of service, operations and customer satisfaction. The report found that while there were strengths in the internal reporting and management of complaints, there was room for improvement in relation to timeliness of resolution and identification of action taken to manage the complaint. COEX reviewed relevant policies and operating procedures to make changes in line with the report recommendations.

From November 2018 to June 30 2019 the centre received 79,000 queries in total consisting of more than 53,000 calls and 25,000 emails. Of these only 840 were complaints representing just over 1% of total queries.

Since November 1, 2018 the scheme has processed almost 3.1 million refund transactions to customers. When reviewed in this context customers have made complaints on less than 0.5% of transactions through the scheme.



Safe, Efficient And Sustainable

EFFECTIVE CONTRACT MANAGEMENT

As the CRP network was established COEX formed a team dedicated to managing relationships with operators. Using an account management model, contract managers were assigned regions and worked with CRPs in those areas to assist them to meet their obligations under the scheme and relevant legislation to ensure the safety and sustainability of their businesses.

As a business which depends on heavy logistics for day to day operation COEX's CRP sites have obligations under the National Heavy Vehicle Law. Contract managers work with CRP operators to ensure these obligations are met for the safety of staff and customers.

Container eligibility is crucial to the functioning of the scheme and contract managers engage with sites prior to opening to educate and inform operators and staff on the eligibility requirements of the scheme.

Strong relationships with CRP operators and effective internal communication pathways help

contract managers ensure a consistent customer experience is being provided across the state.

CRP operation metrics are captured via business analytics service Power BI enabling contract managers to view site data such as volume, material type and payment types to assess site performance.

The same tool is used on a scheme wide basis to provide regular performance snapshots against COEX's strategic targets. This report provides key insights which are shared with COEX executive management and staff to facilitate efficient and proactive management of the scheme.

The reports are also provided to the COEX Board, the Department of Environment and Science and the Office of the Minister for Environment and the Great Barrier Reef, Minister for Science and Minister for the Arts as part of COEX's reporting requirements under the scheme.

Targets



85%

of containers
recovered
by 2022



98%

of payments
made on time

WORKPLACE HEALTH, SAFETY AND ENVIRONMENT

COEX prioritises workplace health and safety and minimising the impact our operations have on the environment. The safety of all scheme participants, including customers, is managed by the establishment of safety standards which are communicated to staff and scheme participants. COEX is proud that there have been no notifiable incidents under the relevant Acts in the operation of the scheme during the reporting period.

It is a contractual requirement that all CRP operators have Workplace Health, Safety and Environment (WHSE) systems and supporting policies and procedures. Contract managers work with operators to ensure they are meeting all WHSE requirements as part of the scheme.

Safety audits were conducted at more than 230 CRPs throughout 2018/2019, representing more than 90% of the state-wide network. Two sites were identified as requiring additional support to meet the requirements of the audit program and COEX staff worked with these operators to fulfil their obligations under the scheme.

In May 2019 management of safety training, systems and compliance for COEX staff was moved to an online platform. Safety Hub is an internationally used portal which delivers video-based safety training, manages assessments, and tracks trainee completion rates.

COEX has a mobile workforce with staff members at times required to travel over long distances and work in remote areas. Lone worker procedures and journey management plans are in place to minimise risk when travelling and working alone. Staff are encouraged to download the Work Safe Guardian app to enable real time responses to personal safety issues as required.

In addition to operating an organisation with an external focus on environmental sustainability, COEX exhibits strong environmental values in its internal operations.

The organisation works from a smart building in central Brisbane with 4 star Nabers water rating and a 5 star Nabers rating for indoor environment. Intelligent lighting systems throughout the office conserve power when rooms are not in use and end of trip facilities are available to encourage staff to ride or walk to work.

Staff are encouraged to work digitally rather than print documents, with secure and non-secure paper recycling facilities provided.

OPERATIONS EXCELLENCE

Ensuring the integrity of the Containers for Change logistics network is essential to the day to day operation of the scheme. Queensland's unique geography coupled with seasonal access difficulties present a challenging environment in which to establish a transport solution to service the scheme. Scheme material is moved from CRPs across the state to processors in regional centres and the south-east of the state.

Ensuring our logistics network is safe, reliable and scaleable is a strategic priority for COEX. Since scheme commencement we have worked with logistics providers to develop a variable cost model to manage seasonal peaks and troughs in scheme volumes. By working with predominantly local logistics providers, COEX can leverage existing infrastructure and market knowledge as well as provide opportunity for independent businesses to realise economic benefit from the scheme.

Towards the end of 2018-2019, as part of our continuous improvement program, we began working with providers to optimise logistic opportunities. Maximising the number of units per load, accessing varying truck and bin sizes and changing service frequency to better suit operators are all strategies being employed by COEX to increase efficiencies across the network.

MRF materials are sorted and baled separately from other CRP material and sold via the COEX auction portal to approved recyclers from the COEX Recycling Panel, ensuring all materials are saved from landfill.

COEX is also working with suppliers and partners to initiate circular economy trials to leverage off the already significant impact the scheme is having across the state. At the end of the reporting period COEX had commenced a trial to transport glass from Cooktown in far north Queensland to processing facilities further south re-using waste Intermediate Bulk Containers (IBCs) supplied by Rio Tinto. COEX looks forward to promising results from this trial in the 2019-2020 financial year.

Containers for Change is based on voluntary participation and customers were still able to dispose of their eligible containers in kerbside recycling if they wished. MRFs claim a refund amount for any eligible containers returned through their facility and are required to share the refund with the council they service.

Rethinking Waste In Laura

The Laura Races and Rodeo are held in June each year and attract hundreds of visitors from across the Cape York region and further south. Visitors camp at the Laura racetrack for three days and enjoy the Laura Cup Race day as well as camp draft and rodeo events across the weekend. In previous years the event had generated vast amounts of container rubbish which had to be disposed of into landfill.

The introduction of the Containers for Change scheme transformed waste disposal at the Laura Races. At the event in June 2019 COEX CRP operator Auswaste took a team to the event to accept eligible containers for refunds. Their presence had children checking bins and scouring campsites for containers resulting in 35,000 containers being returned over the three days. Long-time attendee and Chair of the Cape York Natural Resource Management Emma Jackson said she had never seen the grounds so clean after the popular event.

“To see our children spending the weekend collecting what was previously perceived as rubbish was the highlight of my weekend away,” Ms. Jackson said.

Young recyclers clean up at the Laura Races



“We need to keep on encouraging our children to understand the value in recycling and reusing ‘rubbish’ and continue to explain to them the impacts one small action can have on the health and wealth of this planet.”

Cleaning Up The Cape

Auswaste is a Container Refund Point Operator providing services across Cape York from Cooktown in the east, Weipa in the west, Lakeland in the south and Seisia in the far north. Their 22 CRPs across the Cape employ 11 people who travel 7,000 kilometres each month to deliver the Containers for Change scheme to some of the most remote communities in the state.

Since November 1 last year to the end of June 2019, communities across the Cape returned 2,666,425 containers that would have otherwise ended up in the pristine environments across Cape York or in landfill. In June 2019, COEX held a celebration event in Weipa recognising the community's enthusiasm for the scheme, which was attended by Minister for Environment and the Great Barrier Reef, Minister for Science, and Minister for the Arts, Leanne Enoch.

Auswaste is owned and run by Kenny and Steffi Reid. They have been part of the scheme since commencement operating a depot in Cooktown from which they serviced their first mobile runs across to Weipa in the Cape's west. Demand quickly grew on the Weipa, Napranum and Mapoon runs and in February Auswaste opened a permanent depot in Weipa employing three staff.

The scheme has been embraced by the Weipa community, in particular students at Western Cape College a P-12 state educational facility that comprises three campuses spread over a vast area of the Cape York Peninsula in Far North



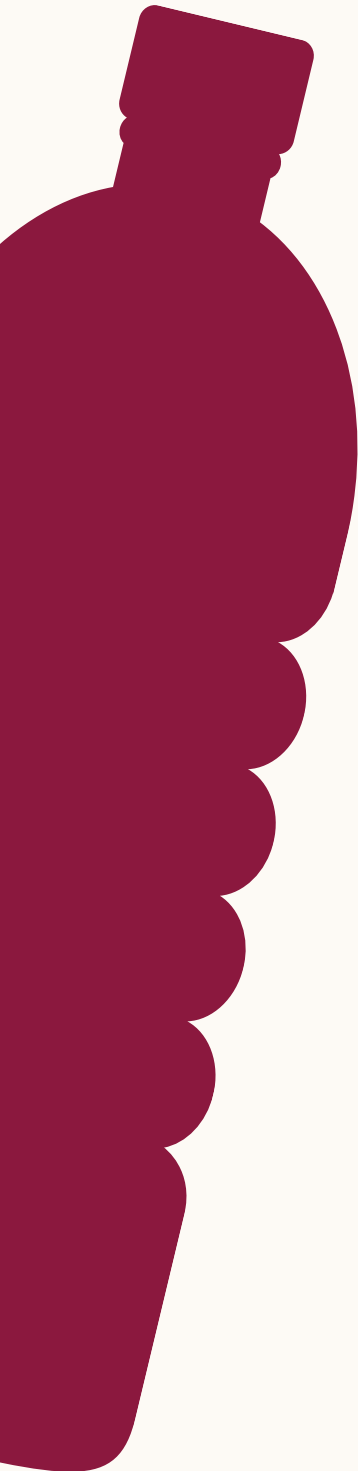
Queensland. Students raise money for local charities \$100 at a time and to June 30 2019 had raised \$500 for community groups or charities in and around Weipa – this equates to 5,000 containers saved from entering the natural environment or landfill.

Through the Containers for Change scheme Kenny and Steffi and their team have brought recycling to remote communities who have never experienced it before. These communities have embraced the scheme as a way to clean up their natural environment, reduce the number of containers going to landfill and to support their local community groups and charities – the very essence of what Containers for Change is about.

Collaborating With Industry



COEX recognised that the introduction of a Container Refund Scheme in Queensland would change the operating environment for the beverage, retail and waste industries. As part of the pre-launch strategy, an engagement program was established to inform, engage and educate industry on the scheme and how it may change their business operations.



In May 2019 the Department of Environment and Science engaged PricewaterhouseCoopers (PwC), to carry out a high-level, six-month health check on the scheme's performance, interviewing stakeholders on their experience with COEX and scheme operation. COEX will use the findings of the report to further improve engagement with industry moving forward.

100% Conformance To Audit Plan

95% Execution of Container Recovery Agreements



BEVERAGE INDUSTRY PARTICIPATION

The Coffs Harbour Waste Conference is the leading conference for the waste management industry in Australia and in May 2019 COEX was invited to present on the launch and progress of the Containers for Change scheme.

The conference attracted 645 delegates from Australia and overseas and targeted waste management professionals from the public and private sector. COEX presented in partnership with the Department of Environment and Science and shared the experiences from the design and implementation of the Containers for Change scheme.

Collaboration and engagement with the beverage manufacturing industry began in the 2017-2018 financial year with the establishment of a retail industry and beverage manufacturer liaison group.

The group met in June and September 2018 and provided positive feedback on COEX's financial model for the scheme which billed beverage manufacturers in arrears based on actual sales data, ensuring they were not required to make a contribution on unsold containers. This approach was made possible by a \$35 million interest-free, 18 month loan from the Queensland Government to seed fund the operation of the scheme.

Prior to scheme commencement, COEX ran workshops with beverage manufacturers across Australia to familiarise them with the legislative requirements of the scheme. Throughout August and early September 2018, forums were held in Melbourne, Sydney, Brisbane and Nerang on Queensland's Gold Coast. Additional forums to educate retailers on the scheme were held with members of the National Retailer's Association in August and September. In addition to engagement prior to and since the commencement of the scheme, the large and small beverage, logistics and manufacturing industries are all represented on the COEX board.

The scheme commenced with manufacturers paying a weighted average scheme price of 10.2 cents (ex GST) per eligible container sold in Queensland. The model was designed to keep costs down for manufacturers and therefore consumers, and allowed COEX to freeze the scheme price for the first 12 months of operation.

COEX maintains membership in several industry associations and peak bodies as part of its industry engagement activity including the Australian Council of Recycling (ACOR) and Brisbane City Council's City Smart program.

Industry partners, scheme participants and stakeholders receive e-newsletters bi-monthly informing of the latest developments in the scheme and other industry news. Both publications highlight the work of industry partners within the scheme.

COEX is proud to operate a scheme that has created a new industry and provided more than 620 new jobs for Queensland.



SCHEME INTEGRITY

Maintaining the integrity of the Containers for Change scheme is crucial to ensure its financial viability, oversee product stewardship and to maintain public trust. During 2018-2019, COEX established a robust internal Audit and Risk function accountable for ensuring scheme integrity across the organisation.

COEX's Audit and Risk program is guided by an Audit Charter outlining the authority, scope, reporting and independence requirements of the function. Prior to scheme commencement the Audit and Risk function leveraged the experience and resources of top tier consulting firm KPMG to establish best practice procedures for COEX's internal audit function. KPMG were then contracted as an independent third party to co-source COEX's internal audit program of the scheme, reporting to the COEX General Manager Audit & Risk

In February 2019, COEX commenced an internal audit program of CRP sites operating in the scheme. Sites were selected at random with KPMG auditors and contract managers attending in person to review premises, systems and operations relating to the site's participation in the scheme.

This audit program is ongoing and results are provided to the General Manager Audit & Risk who distributes relevant findings to contract managers to action with their sites. The cycle of reporting, following and feedback continues until issues are resolved. Looking ahead the audit program will include automated processes to prompt scheduled action items, reporting and feedback to streamline activities.

As part of managing risk within the Containers for Change scheme COEX has developed a robust investigations process which is implemented when audits present data anomalies, analysis of data presents operational contradictions or unethical

behaviour is reported. Any fraudulent or illegal activity is reported to police for further investigation and potential prosecution under criminal and civil law.

Material Recovery Facilities (MRFs) play an important role in the Containers for Change scheme, capturing all eligible scheme material collected via council operated recycling programs. Volumes entered into the scheme from MRFs will be a major contributor to the achievement of COEX's 2022 strategic target of 85% of sold containers being recycled.

As at June 30, 2019 twelve MRFs were contracted to COEX through Material Recovery Agreements to make claims for refund amounts on eligible material collected via council run kerbside recycling services.

During the first 18 months of operation COEX will audit scheme claims made by the MRFs every quarter. In the reporting period three MRF audits were carried out by a panel of environmental audit firms and were overseen by a specialist experienced consultant.

The results of the audits were used to calculate the MRFs quarterly claims prior to payments being made to them. To June 2019 COEX had returned more than \$23.5 million, to MRFs which was required to be shared with the councils they serviced.

As at June 30 COEX had conducted all audits required during the reporting period.

CASE STUDY

A CLOSED LOOP SCHEME

COEX's Recycling Panel is a key component of waste industry engagement and participation within the scheme. Recycling Panel members can bid for scheme materials via the scheme's secure auction portal.

Businesses wishing to join COEX's Recycling Panel are required to complete an application detailing their experience within the recycling industry, the activities they undertake and demonstrating their alignment to the scheme. If the applicant is an exporter, they must also explain what procedures they have in place to ensure materials they send to offshore buyers are recycled. These applications are provided to COEX's Audit and Risk Committee who complete a due diligence process and evaluate information supplied.

Once approved, Recycling Panel members can bid on scheme materials placed on the COEX's auction portal. Panel members who have existing contractual relationships to purchase scheme product from Material Recovery Facilities can do so via the platform with commercial arrangements managed confidentially.

COEX conducted industry research prior to extending formal invitations to selected recyclers and waste industry operators commencing in September 2018. Advertising and promotion through industry media continued September 2018 and October 2018 and at scheme commencement there were 12 members on the panel.

In March 2019, the Recycling Panel application process was reviewed in response to changes in the operating environment of the recycling and waste industry with the implementation of China's National Sword policy.

As at June 30, 2019 there were 14 approved members on the panel with a further 19 applications awaiting execution and 10 awaiting evaluation.



ALUMINIUM
4,107 TONNES



HDPE
145 TONNES



PET CLEAR
2,650 TONNES



PET COLOUR
110 TONNES



GLASS
25,181 TONNES

TOTAL
32,103 TONNES

The Future Is Circular

In February 2019, COEX joined 26 organisations from a diverse range of industries to participate in Australia's first Circular Economy Lab. An initiative of the Queensland government, the Lab was designed to facilitate cross industry collaboration to launch innovative projects showcasing the opportunities in a circular economy.

As part of the Lab experience COEX partnered with leading plastic waste processor Astron Sustainability, global minerals processor Rio Tinto, Australia's second largest aluminium smelter Boyne Smelters, product commercialisation experts Evolve Group and digital provenance enterprise Everledger to develop a pilot project – United for Change.

The vision of the pilot was a true circular economy in which 100% of containers sold are collected and then recycled, rebirthed or reused in

Queensland. Using the Containers for Change scheme as a collection solution, the project explored the benefits in local recovery, recycling and remanufacturing of aluminium and PET drink containers collected through the Containers for Change scheme.

Benefits of the pilot included increased local employment and, when compared to processing new materials, significant reductions in both energy requirements and carbon dioxide emissions.

Lab teams presented their pilots in a pitch style environment vying for a share of a \$100,000 prize pool provided by the Department of Environment and Science. United for Change received \$20,000 and will use the investment to further develop their pilot in the 2019-2020 financial year.

The image shows a dark blue banner with the text "UNITED FOR CHANGE" in large, bold, teal letters. The word "FOR" is partially obscured by a circular graphic containing icons for recycling and a person. Below the banner, the text "Co-innovation for sustainable recycling in Australia" is centered. At the bottom, there are logos for the partner organizations: Astron, RioTinto, Boyne Smelters, Evolve, COEX, and Everledger.

Ian Kermode has been part of the Containers for Change scheme since day one through his CRP North Queensland Recycling Agents in the Cairns suburb of Bungalow. As at June 30 this year, 11.3 million containers had been returned for refunds via his site, putting \$1.13 million back into the hands of the community.



Image - Newscorp

Governance and Finance

THE COEX BOARD

The COEX Board is made up of nine leaders in business and innovation, including representatives from beverage, manufacturing, and logistics industries. The Board meets regularly and reports to the Minister for Environment and the Great Barrier Reef, Minister for Science, and Minister for the Arts on its operations and achievements.

At the start of the reporting period the Board Chair was Mr Alby Taylor, General Manager of the Australian Beverages Council. Mr Taylor resigned as Chair in January 2019 at which time Mark O'Brien AM was appointed in his place. Mr Taylor resigned from the Board effective June 2019. At the end of the reporting period the COEX Board was recruiting another member to maintain required membership.

The Board has set a clear strategic direction for COEX, focussing on achieving the environmental, commercial, operational and social outcomes of the scheme.



Mark O'Brien AM
Chair

Mark O'Brien AM has more than 30 years' experience in Western Queensland in both private and public sectors, with extensive experience in logistics for rural and remote areas of the state. Mark served as Mayor of Murweh Shire Council for eight years from 2004–12, and for six of these years, was a Queensland Local Government Grants Commissioner. Having developed the concept of 'cluster fencing' he was appointed as a Queensland Government Wild Dog Fence Commissioner, and more recently as a Queensland Drought Commissioner. After helping to corporatize the Save the Bilby Fund as its inaugural Chairman, Mark then served nine years as Chair of the South Western Natural Resource Management Group.



Keith Allan
Director

Keith Allan has more than 30 years' experience in treasury and corporate finance during his time at Coca-Cola Amatil. He brings his experience in risk management to the Board, with exposure to a wide range of banking and financial markets. A key facet of this experience is his involvement in the development and maintenance of key relationships with stakeholders. He has established a dynamic environment of acquisitions and divestments throughout the Asia Pacific region, as well as Central and Eastern Europe. Keith has held the role of Group Treasurer at Coca-Cola Amatil for the past eight years.



Richard Ballinger
Director

Richard Ballinger is a highly experienced lawyer and General Counsel who has worked with Fast-Moving Consumer Goods businesses both as General Counsel and in large private practice firms, as well as in management and on leadership teams. He is skilled in partnering business leaders and their functions and managing their issues, including regulatory and compliance, joint ventures, brand partnership agreements, customer and supply agreements, distribution arrangements, product liability and dispute resolution. Richard has previously held roles as Director on the Boards of two joint venture companies.



Monica Bradley
Director

Monica Bradley has more than 30 years of strategy and technology experience. She works with organisations to transform and thrive in the innovation economy by crafting business models enabled by technology and centred around genuine customer needs. Monica brings leadership in strategic discussions to the Board to help better understand the risks and opportunities of the changing economy and exercise informed judgement in strategy design, talent attraction and investments. She draws on her global network to connect the capital, technology, talent and customers which create sustainable ventures delivering human prosperity. Monica currently sits as a Non-Executive Director on the Boards of BenchOn, Umano, City Smart and Brisbane Marketing and the Advisory Boards of 2017 Riskwise, Five Good Friends, QBDF Co-Investment Venture Fund (Investment Review Member) and the Minister for Innovation's Advisory Council.



Andrew Clark
Director

Andrew Clark has more than 20 years' experience providing assurance, financial management, consulting, governance and risk management services and has held a range of executive finance positions. He is a Partner with Assured Business providing enterprise resource planning and business transformation services with a focus on improving governance, risk and compliance. Before leading a national consulting practice, Andrew was a Chief Financial Officer with Airservices Australia, providing financial strategic management for one of the world's leading air traffic control and fire rescue providers during a period of industry and service delivery change.



Jeff Maguire
Director

Jeff Maguire has more than 35 years of supply chain experience, encompassing manufacturing and logistics in a variety of roles and functions, including line management, project management, and strategic management roles. He has been with Coca-Cola Amatil for 27 years and is leading its participation in Container Refund Schemes (CRS) across Australia. Jeff's global connections tap into a comprehensive knowledge base of active CRS operations from around the world to assist with successful local implementation.



Mark Powell
Director

Mark Powell is the National Sales Director for Lion Nathan Australia, holding various regional sales positions in Adelaide and Brisbane before relocating to Sydney in 2008 as Lion's Regional Sales Director. Prior to his 15 years at Lion, Mark spent eight years with Coca-Cola Amatil and a further eight with PwC in Sydney and London.



Dominique Tim So
Director

Dominique Tim So is a Senior Lawyer for James Cook University, having previously worked in private practice as a General Counsel for an ASX-listed company. She has practised in Property, Corporate and Commercial Law. Dominique has acted on behalf of small to large businesses, high-net-worth individuals, private and public companies, not-for-profit organisations and government corporations across a wide array of industries. Dominique has held previous Director's positions with government-owned corporation Port of Townsville Limited and the statutory not-for-profit Townsville Hospital Foundation.



Ken Noye
CEO

Ken Noye brings more than 25 years specialist experience in sustainable growth, logistics and supply chain leadership and operations to COEX. Before becoming Chief Executive Officer at COEX, Ken held various executive management and leadership roles at Toll Holdings Ltd for a 13-year period. His logistic and supply chain operations career continued at Mountain Industries as Chief Operating Officer; and at Kiah Consulting and Aurizon as Commercial Director and Supply Chain Executive Leader.

GOVERNANCE FRAMEWORK

The Waste Reduction and Recycling Act 2011 (the Act) is the legislative framework which the Containers for Change scheme operates in. The Act was passed with bi-partisan support in September 2017. In October 2017, COEX was conditionally appointed as the Product Responsibility Organisation (PRO) charged with operating and providing governance for the Containers for Change scheme.

The Act requires the scheme to operate under the principle of product stewardship – an environmental management strategy that means all entities involved in the life cycle of a product are responsible for managing its environmental, social and economic impact.

Containers for Change is funded by the beverage manufacturing industry paying a weighted average scheme price on every eligible beverage they sell in Queensland. At scheme launch the weighted average scheme price was 10.2 cents per container sold (ex GST).

The financial success of the scheme depends on ensuring that beverage manufacturers who operate in the state are contracted to the scheme.

As at June 30, COEX had entered into Container Recovery Agreements with a total of 413 beverage manufacturers, including the top ten companies by production volume. These ten companies produce approximately 90% of container volumes sold in the state with the remaining companies producing 5 – 10% combined. These figures indicate that COEX has achieved its strategic target of execution of 95% of Container Recovery Agreements.


The Containers for Change scheme is a highly transactional business - as at June 30 more

than three million transactions had been made through the scheme to customers, CRPs, logistics providers, processors and MRFs. These transactions included more than \$61 million in container refunds returned to customers.

The establishment of robust end-to-end finance and governance processes is key for COEX to establishing its operational sustainability. As at June 30, 99.4% payments within the scheme were made on time, ahead of the strategic target of 98%.

In November 2018, the Queensland Productivity Commission (QPC) began a 12 month review to monitor and analyse the price impacts of the Container Refund Scheme on eligible beverages. An interim report released in May 2019 showed that, on average, non-alcoholic beverages had increased in price by 9.04 cents and alcoholic beverages had increased in price by 8.3 cents (ex GST).

The report also stated that seven months into the scheme, there was no evidence that the introduction of the scheme had had a material impact on market competition. There was also no evidence of poor performance and conduct of beverage manufacturers and retailers in relation to the scheme.



Queenslanders have loved making change. Since the scheme began to June 30, 2019 Queenslanders returned more than 617 million containers for refunds at their local CRP.

Financial Highlights

At the establishment of the scheme the Queensland Government provided COEX with a \$35 million interest-free, 18-month loan to provide working capital for the operation of the scheme. This simplified the billing mechanisms for the beverage industry, ensuring they were able to be invoiced in arrears for actual reported sales, and secured the near-term financial viability of the scheme.

As a not-for-profit organisation COEX must invest all surplus back into the operation and advancement of the scheme. During the financial year to 30 June 2019, COEX generated \$194.6 million in revenue and delivered an operating surplus of \$27.9 million.

The surplus will be principally used to commence the repayment of the \$35m working capital loan and to cover pre-Scheme commencement costs incurred during the 2018 financial year (FY2018 saw an operating deficit recorded of -\$6.7 million).

During the financial year ending 30 June 2020, COEX will repay the working capital loan in full and record sufficient cash on hand to maintain the financial viability and sustainability of the Scheme for all Queenslanders for the long term.

COEX is committed to ensuring the Scheme is run as efficiently and effectively for the benefit of this generation and the next. This includes keeping the cost of the Scheme as low as possible and investing any future surplus back into the Scheme operations.

The following tables show COEX's financial performance and position for the 2018-2019 financial year. For details of COEX's full financial statements, including independent Auditor's report and Directors' report, please visit www.containerexchange.com.au or contact us at enquiries@containerexchange.com.au

Statement of Comprehensive Income

	2019	2018
	\$'000	\$'000
Revenue	194,573	-
Container refund expenses	54,800	-
Container handling expenses	37,594	-
Logistics expenses	9,320	-
Container processing expenses	7,539	-
Material recovery facility expenses	23,574	-
Container export rebates	11,903	-
Administration support service fees	6,677	-
Professional services	5,063	5,502
Marketing and communication expenses	3,344	-
Employee benefits expense	2,415	162
Other expenses	4,702	1,008
Finance costs	2,227	-
Total Expenses	169,158	6,672
Gain/(loss) on fair value of financial liabilities	2,512	-
Surplus/(deficit)	27,927	(6,672)

Statement of Financial Position

	2019	2018
	\$'000	\$'000
Current assets		
Cash and cash equivalents	55,621	-
Trade and other receivables	13,367	-
Other assets	24,439	-
Total current assets	93,427	-
Total non-current assets	546	-
Total assets	93,973	-
Current liabilities		
Trade and other payables	30,784	10
Financial liabilities	28,351	-
Total current liabilities	59,135	10
Non-current liabilities		
Trade and other payables	-	6,662
Financial liabilities	13,583	-
Total non-current liabilities	13,583	6,662
Total liabilities	72,718	6,672
Net assets/(liabilities)	21,255	(6,672)
Equity		
Reserves	-	(6,672)
Retained earnings/(accumulated deficits)	21,255	-
Total equity/(deficiency)	21,255	(6,672)



Simon and Melissa Hird operate Rural Contracting, a CRP depot in Warwick in Queensland's Southern Downs. They began servicing the area in May 2019 and on day one of operation they accepted more than 25,000 containers from locals residents.

Image - Newscorp



COEX

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