National Packaging Covenant – Mid-term Review
<u>The Covenant at Work</u>
National Packaging Covenant Industry Association

Covenant Membership

This report has been prepared to give a picture of the extent of reach of the Covenant across the Australian packaging industry and the unique partnerships that the Covenant entails. All signatories to the Covenant are engaged in a process to review current practices related to sustainable use of packaging, and to take those actions that it is reasonable for them to take to produce improved outcomes.

As at 30th June 2008 there were 660 entities participating in the Covenant including companies, industry associations, local governments, state governments, the ACT, and the Commonwealth Government. Figure 1 below represents the growth of signatories since the inception of Covenant Mk II.

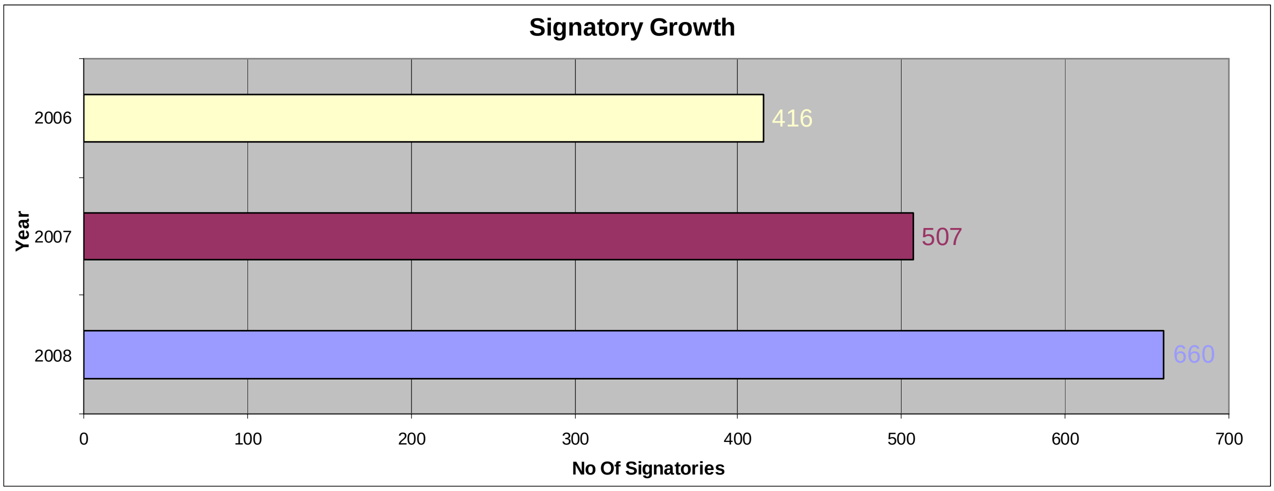


Figure 1 – Signatory Growth

The very significant increase in the number of signatories is primarily a result of action by the various jurisdictions to conduct brand audits at retail outlets and query identified brandowners as to their status with respect to the Covenant. Brand owners so identified are required to either prove that their activity falls below the $5M turnover threshold, join the Covenant, or comply with the relevant NEPM in each jurisdiction. To date all companies found subject to the NEPM have elected to join the Covenant.

Other companies not subject to the NEPM have become Covenant signatories voluntarily through supply chain relationships with brandowners, and some companies below the threshold have also elected to join the Covenant.

On the other hand, some companies that were signatories to Covenant Mk I have not re-signed Covenant Mk II because they are below the threshold and not obliged to, and other companies have merged, been taken over, or ceased business.

There are also a number of companies whose status with respect to the Covenant remains unclear, and they are working with the various jurisdictions to resolve their status.

Signatories generally sign the Covenant in the state of their head office. Figure 2 below indicates that most signatory head offices are located on the Eastern seaboard.

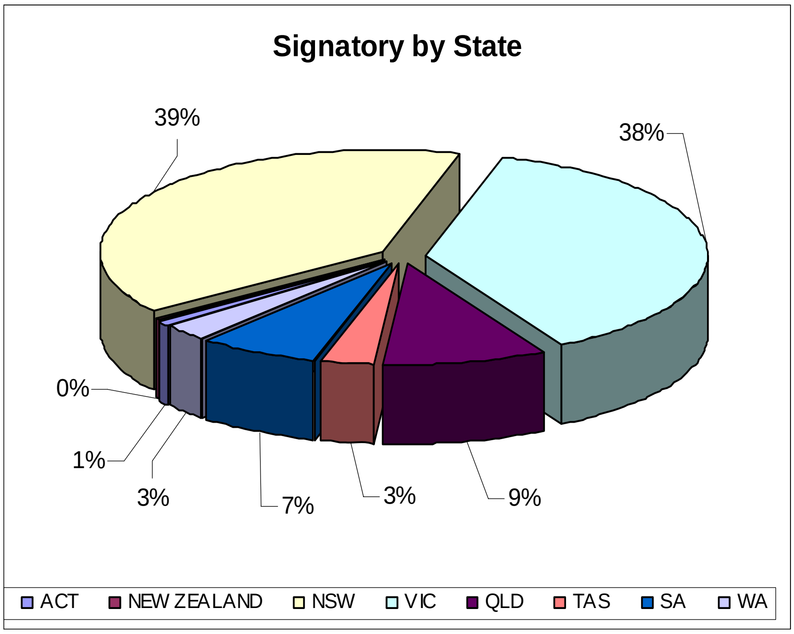


Figure 2 – State by State distribution of signatories

The Covenant is the voluntary component of a co-regulatory arrangement for managing the environmental impacts of consumer packaging in Australia. All signatories to the Covenant recognise that a co-operative approach between industry and all levels of government is essential to achieving national consistency in the lifecycle management of packaging and paper and the implementation of sustainable materials recovery systems.

Figure 3 shows the number of signatories in each supply chain category for the 2005, 2006 and 2007 years. During the first three years of Covenant Mk II there has been significant and encouraging growth in the brand owner, wholesaler/retailer and waste management signatory numbers.

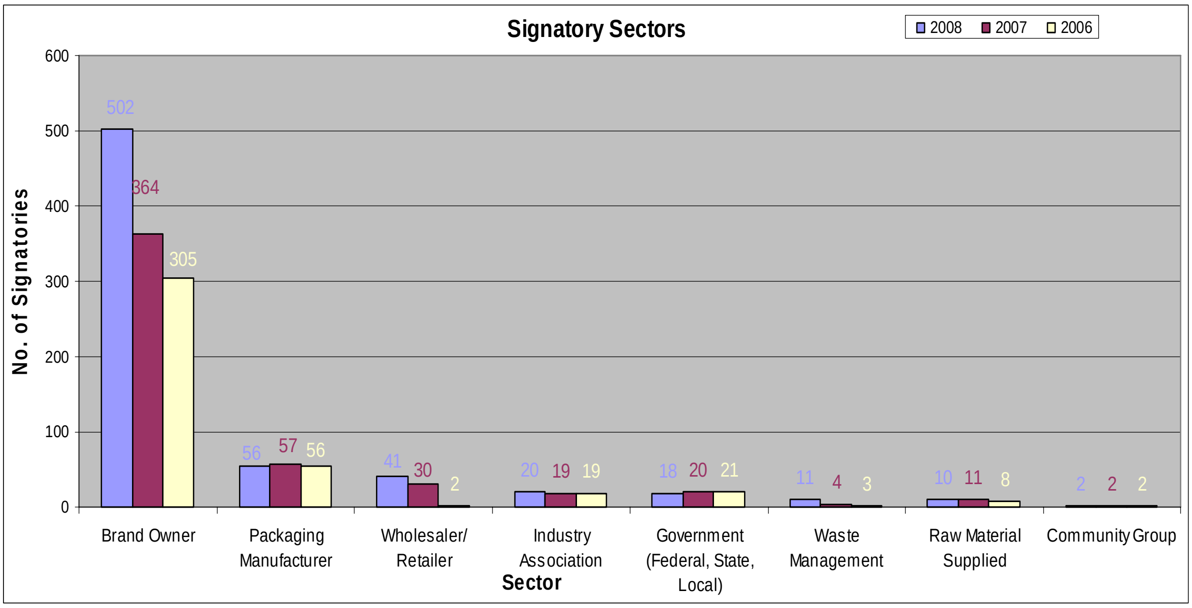


Figure 3 – Industry signatories classified by supply chain category

Brand owners make up the majority of signatories and are distributed between the various consumer sectors as indicated in Figure 4.

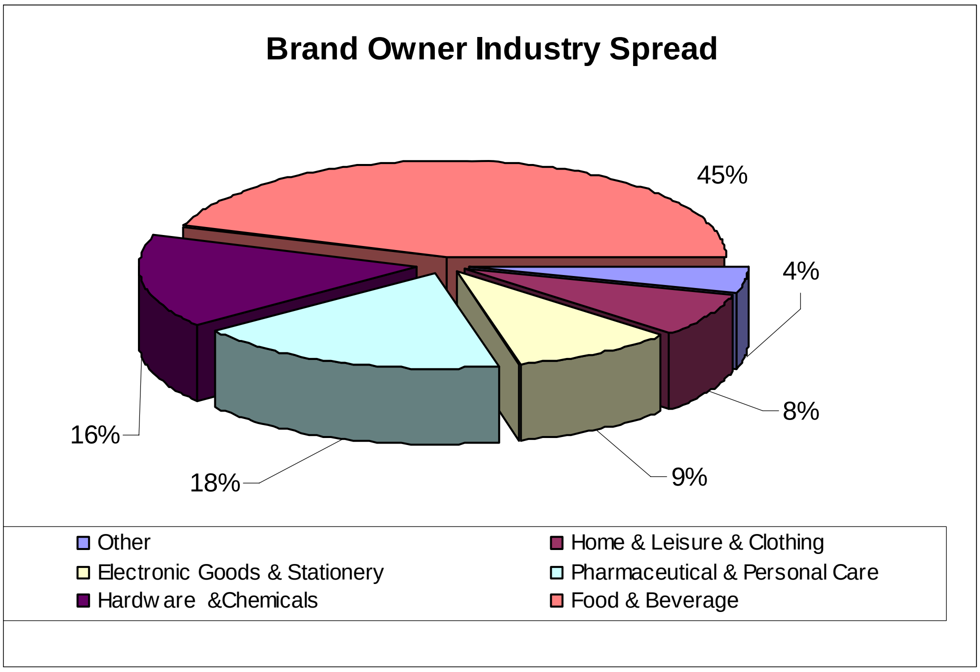


Figure 4 – Distribution of brandowners across retail sectors

The packaging supply chain signatories make contributions in excess of $3M per annum to fund the Covenant process and a range of Covenant funded projects. This funding is matched by the Government sector on a one-for-one basis thus creating a total fund in excess of $30M over the five-year term of the Covenant.

Figure 5 below shows the distribution of declared packaging related turnover of the industry members of the Covenant. The contribution to the Covenant funding varies with the turnover of the signatory according to an agreed formula.

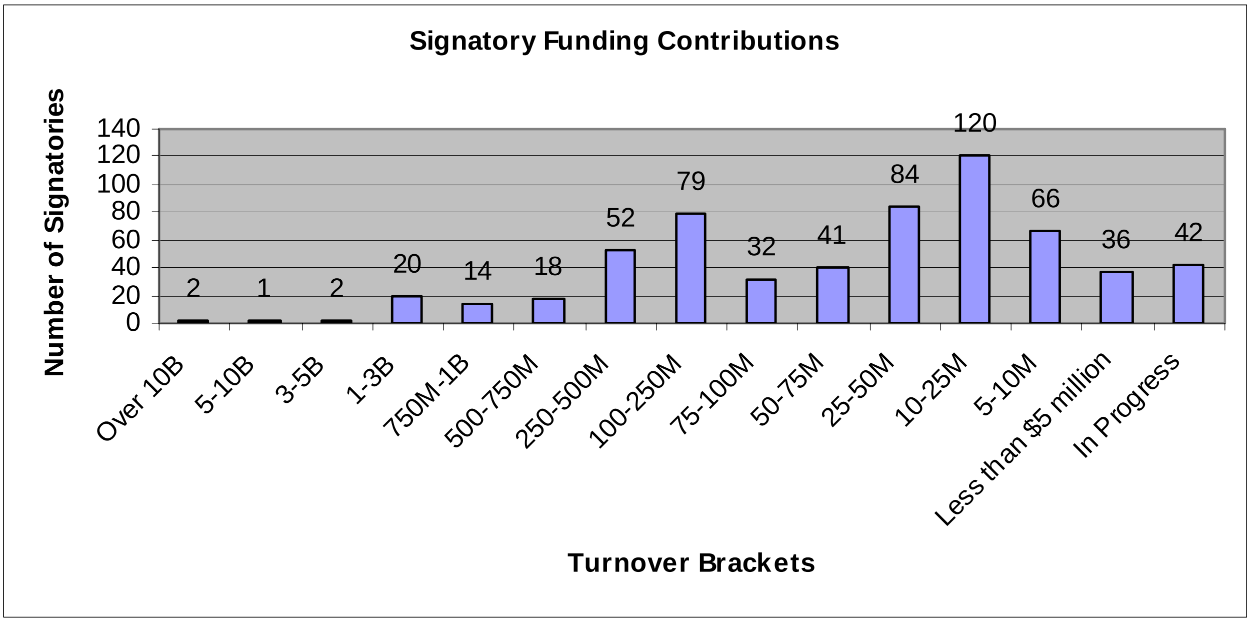
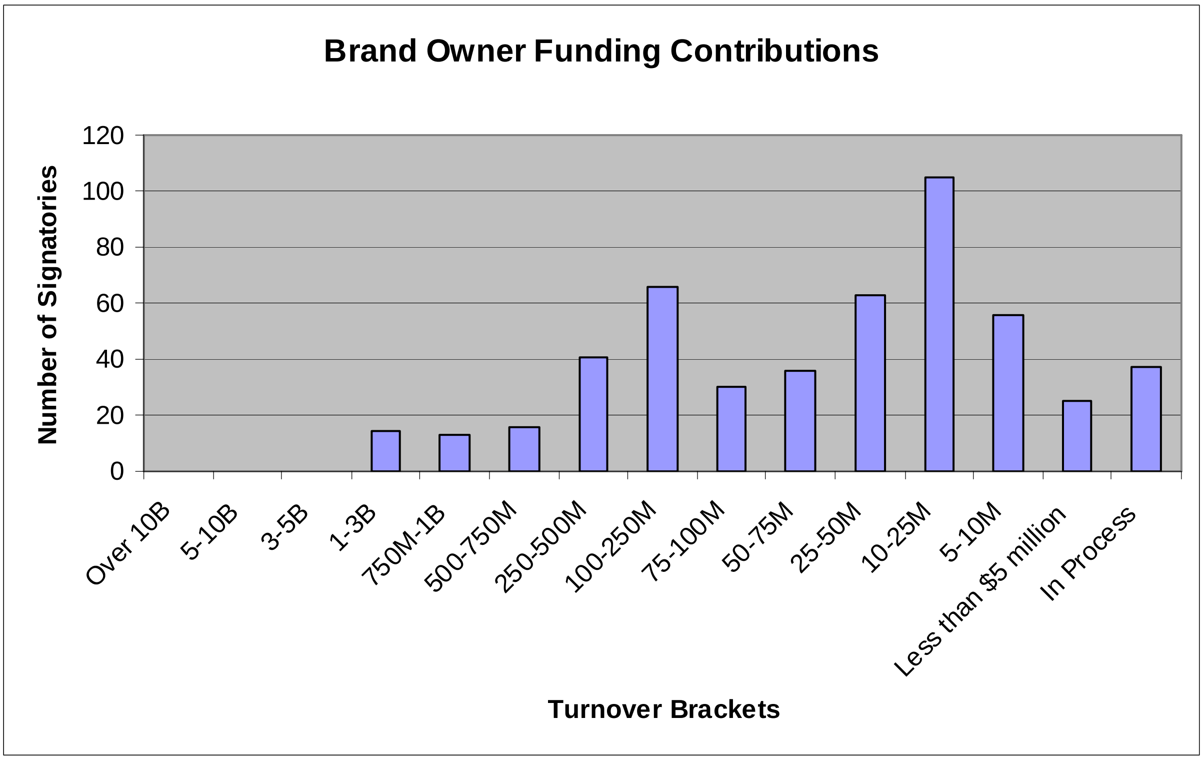
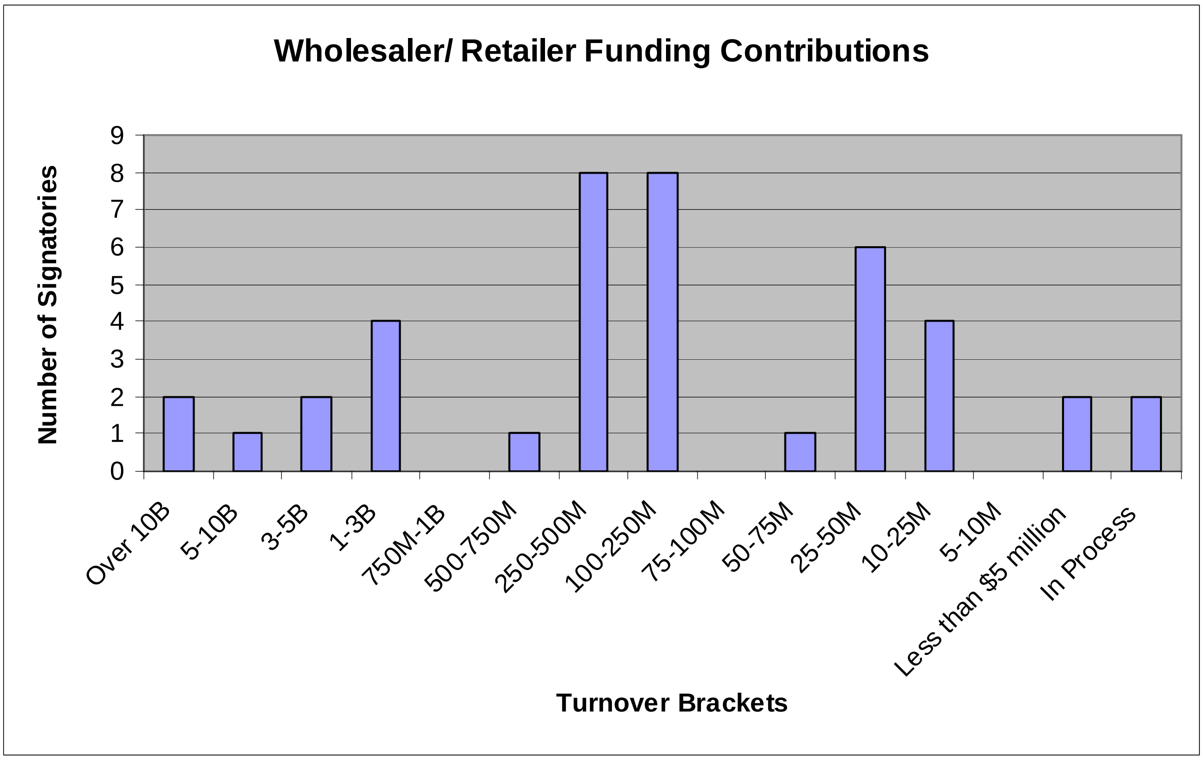
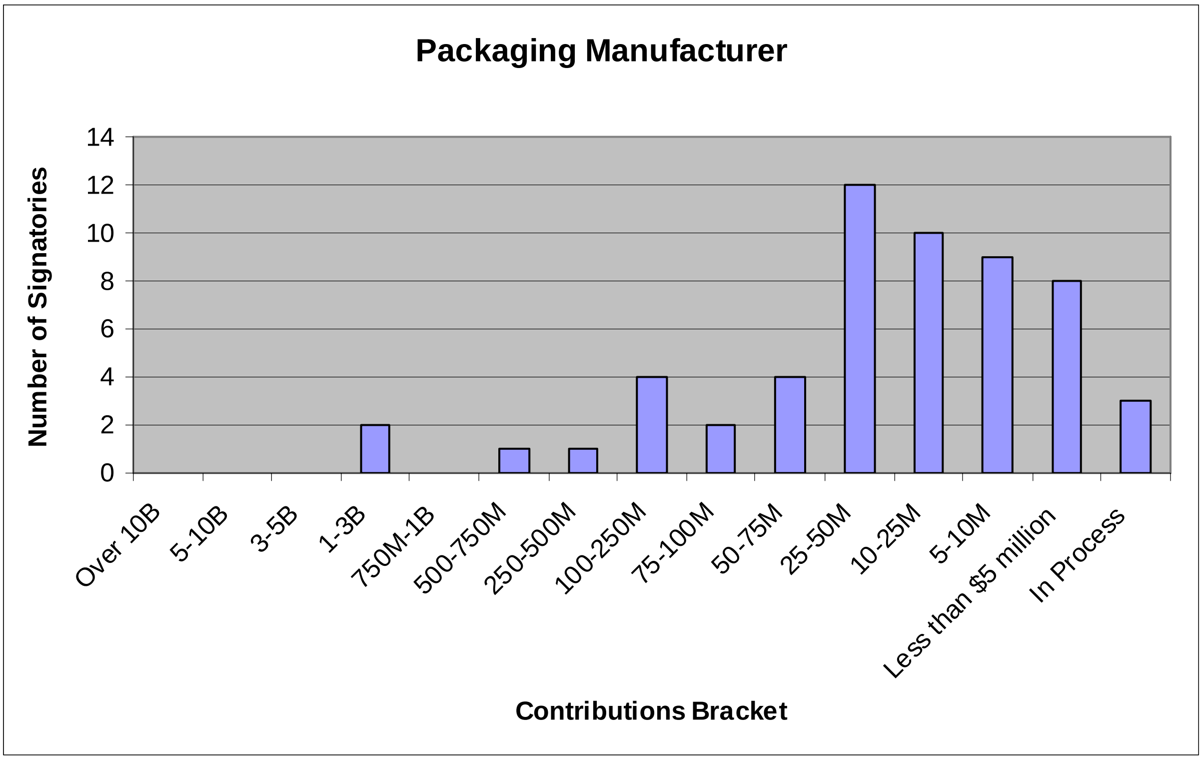


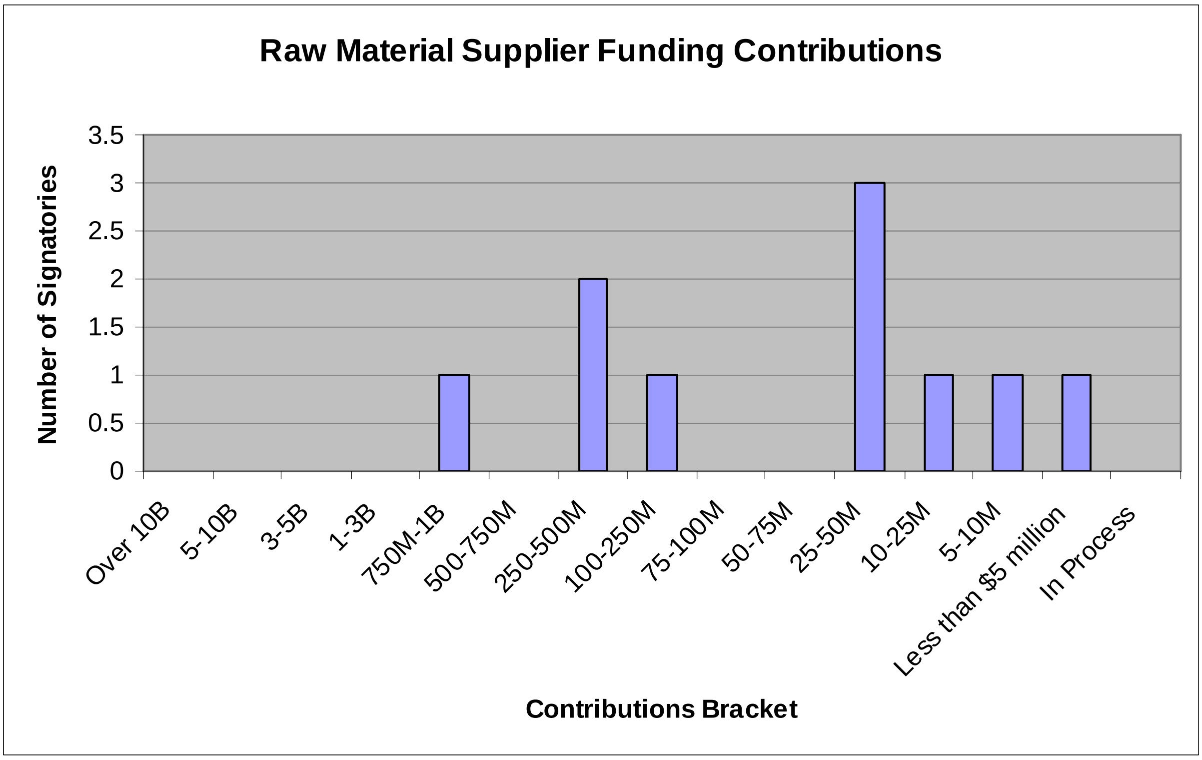
Figure 5 – Distribution of turnover amongst industry signatories

In the figures which follow the distribution of the turnovers of industry signatories within each industry segment is detailed.






Packaging Manufacturer
14
12
10
8
6
4
2
0
Number of Signatories
Over 10B
5-10B
3-5B
1-3B
750M-1B
500-750M
250-500M
100-250M
75-100M
50-75M
25-50M
10-25M
5-10M
Less than $5 million
In Process
Contributions Bracket


Raw Material Supplier Funding Contributions
3.5
3
2.5
2
1.5
1
0.5
0
Number of Signatories
Over 10B
5-10B
3-5B
1-3B
750M-1B
500-750M
250-500M
100-250M
75-100M
50-75M
25-50M
10-25M
5-10M
Less than $5 million
In Process
Contributions Bracket