

CREATING A NEW FUTURE TOGETHER: SPAR'S PLASTIC CARRIER BAG JOURNEY

#RethinkTheBag

November 2018

EXECUTIVE SUMMARY

SPAR is committed to reducing our impact on the environment.

The challenge of single-use plastics and their impact on human health, life on land and life under the sea is a prominent issue globally and in South Africa (SA). As material distributors of plastic carrier bags, retailers can no longer ignore accountability in an increasingly harmful situation in the world. At SPAR we have taken essential first steps in trying to improve the state of our planet:

- To reduce single-use plastics.
- To address the longer-term challenge to collect and recycle all plastic.
- To reduce the use of all plastics in our operations and packaging.

KEY FACTS

- South Africans use between 30 kg and 50 kg of plastic per person per year.
- Plastic shopping bags are a major source of waste and pollution as one of the most common types of litter.
- Globally, only 1% of plastic bags are recycled.
- SPAR is determined to:
 - o ensure that the plastic carrier bags we do provide are 100% recycled and recyclable; and
 - o implement a more environmentally friendly, usable and sustainable alternative to conventional plastic carrier bags.
- SPAR took the lead in an industry working group to research the plastic bag situation in South Africa, resulting in an industry standard being agreed for the make-up of plastic bags.
- SPAR is in the process of approving a bag philosophy as a formal declaration of intent to recycle and reduce the use of plastic.
- SPAR is now selling only 100% recyclable plastic bags with an 8% calcium carbonate filler.
- Plans to only sell plastic bags made from 100% recycled plastic are underway for 2019.
- SPAR does not use biodegradable or compostable plastic bags since they will not simply break down wherever they end up.
- SPAR offers alternative options of shopping bags in all our stores:
 - o Wet-strength, reusable paper shopping bags, capable of carrying 12 kg.
 - o Locally-made, woven shopping bags.
 - o A 'taxi shopping bag', which is a large bag made from between 80% and 100% recycled materials.
- SPAR's ongoing commitment is to evolve our #RethinkTheBag campaign into a bigger project that will eventually incorporate the collection and recycling of all plastic.
- Two further initiatives are underway and will continue in 2019:
 - o SPAR is exploring the use of innovative new reverse vending machines.
 - o SPAR started a strategic collaboration with Tetra Pak to find more holistic solutions to the plastic challenge.

THE PROBLEM WITH PLASTIC

Plastic is not just a problem when it enters the environment as waste; it pollutes at every step of its life:

- Plastic is made from fossil fuels, the extraction and transportation of which causes many environmental problems – from oil spills to groundwater pollution.
- Converting fossil fuels into plastic requires large chemical processing plants which emit a variety of pollutants into the air.
- Many plastics contain chemical additives which can leach back out of the material, getting into our food, water, and ultimately our bodies.
- Plastic stays around for hundreds of years or more. According to the World Wide Fund for Nature (WWF), South Africans use between 30 kg and 50 kg of plastic per person per year. Single-use plastics are typically cheap, produced in bulk and carelessly discarded without being reused or recycled. The majority ends up in landfills or in the environment.

Source: www.storyofstuff.org

Some plastic items that can be reused or recycled, but are generally discarded after a single use:

- Water and other drinks bottles
- Plastic tubs
- Shampoo and liquid soap bottles
- Fruit packaging
- **Plastic carrier bags**

The impact on marine life

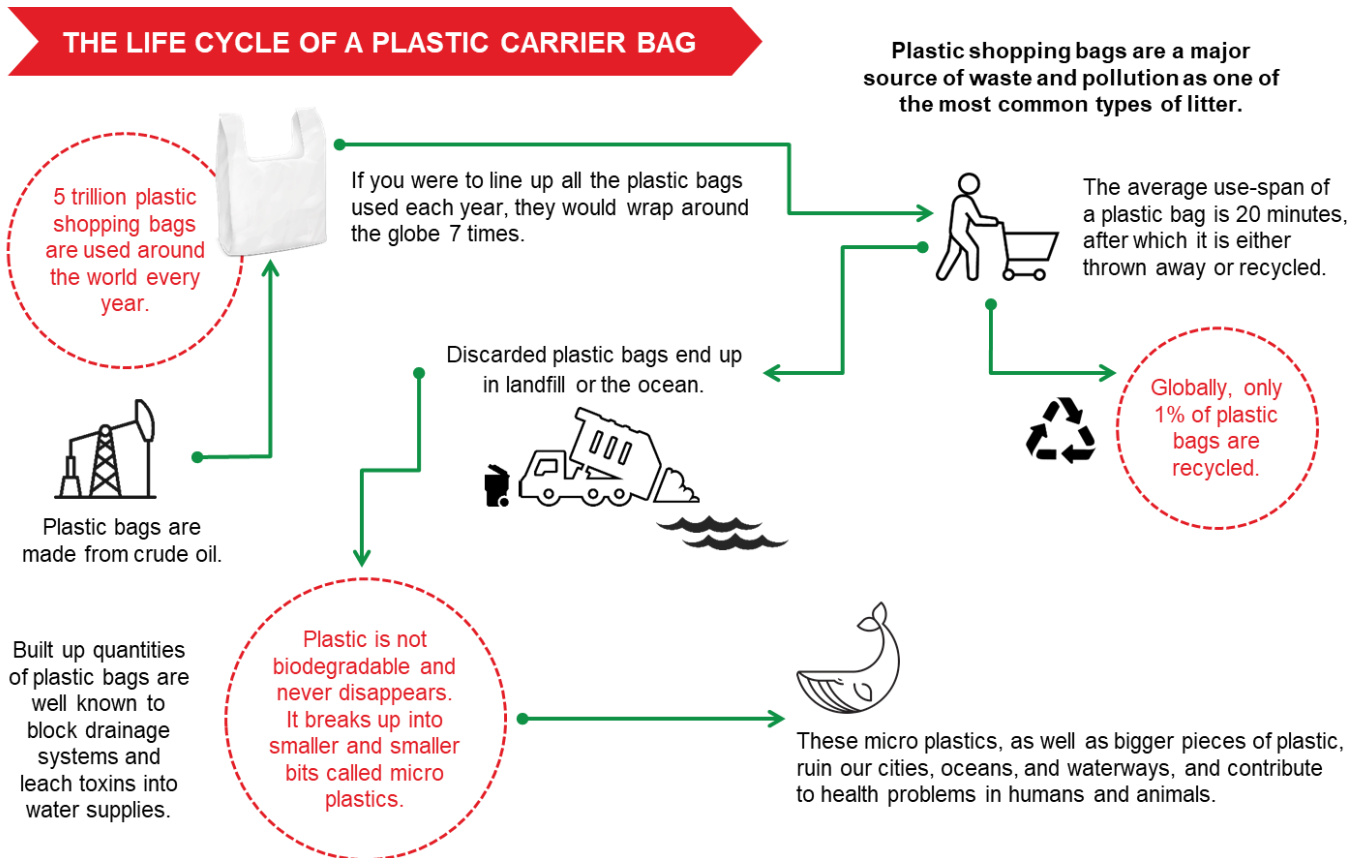
More than eight tons of plastic enter the oceans every year – equivalent to one garbage truck per minute. An ‘island’ of plastic debris found in the North Pacific Ocean, known as the Great Pacific Garbage Patch, is estimated to be double the size of Hawaii, and could even be as large as the entire continental United States.

Each year, at least 100 000 marine animals die from consuming plastic bags. Marine animals inadvertently ingest the plastics that pollute rivers and oceans. Sea birds eat small bits of plastic and turtles can mistake a floating plastic bag for a jellyfish. Marine animals also often get entangled in floating plastic.

Microplastics in the oceans smother the small organisms that make up the base of the food chain and could have serious implications for our food systems.

- Source: the UN Environment Programme (UNEP)

Plastic carrier bags



SPAR'S JOURNEY TO A SOLUTION

'It's no longer a question of if we should add our voice to the global commitment to reduce, reuse and recycle – but how.' - Mario Santana, Managing Director of the SPAR Western Cape distribution centre

Our commitments

At SPAR we are determined to:

- ensure that the plastic carrier bags we do provide are 100% recycled and recyclable; and
- implement more environmentally friendly, usable and sustainable alternatives to conventional plastic carrier bags.

Our challenges

These commitments require ongoing research and engagement on our part and to date presented two challenges:

- Biodegradable vs compostable vs recyclable
- The integrity of recycling in South Africa

Challenge 1: biodegradable vs compostable vs recyclable

There is confusion about what the difference is between recycling and composting, and what products are 'biodegradable' versus 'compostable'. The terms are often used interchangeably but are not the same thing.

- **Biodegradable** means that a product can be broken down without oxygen and that it turns into carbon dioxide, water, and biomass within a reasonable amount of time. The first challenge in this regard is that 'a reasonable amount of time' is not really defined. Secondly, there are certain conditions, like temperature

and moisture, which affect how well plastic breaks down. This means a biodegradable plastic will not simply break down wherever it ends up. If it is not disposed of correctly or ends up as litter, it might not break down at all.

- **Compostable** means it breaks down to carbon dioxide, water, inorganic compounds, and biomass at a rate similar to paper and breaks down into small pieces in about 90 days if disposed of correctly. In South Africa, however, compostable plastics are often not effective because disposing of them correctly is not as easy as it seems. Many people do not have space or facilities for composting, in which case compostable plastics need to go to a commercial composting facility or they may never break down as claimed.
- **Recycling** is the process of converting waste materials into new materials and objects. It is an alternative to 'conventional' waste disposal that reduces the consumption of fresh raw materials, thereby reducing energy usage, air and water pollution and lowering greenhouse gas emissions.

Faced with these realities, SPAR opted for 100% verified recyclable plastic carrier bags as the most reliable way to make an actual impact.

Challenge 2: the integrity of recycling in South Africa

In South Africa, environmental legislation came into effect in 2003 prohibiting the use of thin plastic bags and encouraging retailers to use thicker, durable, recyclable bags to reduce plastic waste.

Last year, it emerged that plastic manufacturers were using increased volumes of chalk filler (from 7% to 25%-30%), resulting in a heavier albeit cheaper plastic. Recyclers, on the other hand, rejected the heavier bags as they sink during the recycling process and therefore discard these to landfill as waste. This effectively made plastic carrier bags unrecyclable at the time.

Our solutions

SPAR responded to these challenges by taking the lead in an industry working group established to research the plastic bag situation in South Africa. Other participants included:

- Plastics SA
- the South African Plastics Recycling Organisation (SAPRO)
- Other retailers
- Our suppliers

The research resulted in an industry standard being agreed for the make-up of plastic bags. The standard set the acceptable chalk filler in plastic bags at 8%.

As a result of these industry engagements, we are in the process of approving a SPAR bag philosophy as a formal declaration of our intent to recycle and reduce the use of plastic. We have also initiated several SPAR group actions and commitments.

100% recycled and recyclable plastic bags

SPAR is now selling only plastic bags that are 100% recyclable. We recognise that, although our carrier bags are recyclable, there may not always be a demand for products made from recycled plastic bags. SPAR is committed to creating this demand and we are exploring the following avenues:

- As an alternative to plastic bags, we will offer reusable, locally-made woven carrier bags made from polypropylene derived from recycled plastic.
- We are looking into the manufacture of recycled plastic shopping trolleys.
- In KwaZulu-Natal, where SPAR is active in sponsoring schools' soccer, we will collect bags from consumers and teach children at several schools to weave soccer nets from the bags.

Plans to only sell plastic bags made from 100% recycled plastic are underway for the new year. We continue to engage with suppliers to explore solutions that adhere fully to our recycling commitment and take periodic samples from the market to ensure compliance across all SPAR carrier bag manufacturers.

Our goal is to ensure that our plastic bags do not end up in landfills. In this way, SPAR carrier bags are not single-use, since they have a first life as milk bottles, shampoo bottles, shrink wrap, etc., a second life as a SPAR carrier bag and a third life as a locally produced woven bag, a shopping trolley or a soccer net:

THE LIFE CYCLE OF A PLASTIC CARRIER BAG



Recycling in South Africa

- In its National Plastics Recycling Survey 2017, Plastics SA says that the industry recycled 334 727 tons – or 43.7% – of all plastics.
- According to the WWF, the plastics recycling industry in SA supports 5 837 formal jobs.

#RethinkTheBag

In December 2017 we initiated a SPAR paper bag customer feedback campaign to engage with consumers on the topic and understand their views. As a result, in 2018 several SPAR distribution centres, spearheaded by the Eastern Cape, launched campaigns and projects to address the plastic shopping bag problem:

- December 2017**
 - SPAR initiated a paper bag customer feedback campaign.
 - As a result, in 2018 several SPAR distribution centres, spearheaded by the Eastern Cape, launched campaigns and projects to address the plastic shopping bag problem.
- April 2018**
 - SPAR Eastern Cape encouraged shoppers to swop plastic bags for paper bags.
 - Consumers were given a free paper bag for every 10 plastic shopping bags brought to any SPAR outlet.
 - The bags could be from any retailer, not only SPAR.
- July 2018**
 - SPAR Western Cape and Namibia joined the Two Oceans Aquarium's #RethinkTheBag campaign.
 - Not one plastic bag was sold in SPAR stores throughout the Western Cape and Namibia on 3 July 2018, as part of International Plastic Shopping Bag Free Day.
- October 2018**
 - SPAR shops across Gauteng launched #RethinkTheBag – a new range of eco-friendly shopping bags available at SPAR stores nationwide

'As the biggest food retailer in the Eastern Cape, we have to take care of the health and well-being of the communities in which we operate.' - Conrad Isaac, Managing Director of the SPAR Eastern Cape distribution centre

The aim of the country-wide campaigns is to ease shoppers into phasing out plastic carrier bags completely. To facilitate this transition, we offer alternative options of shopping bags in all our stores. The new reusable SPAR bags come in three different forms, at different prices:

- Wet-strength, reusable paper shopping bags, capable of carrying 12 kg.
- Locally-made, woven shopping bags.
- A 'taxi shopping bag', which is a large bag made from between 80% and 100% recycled materials.

Besides being a cost-effective alternative to using plastic bags, our paper carrier bags are easy to recycle, the paper is Forest Stewardship Council (FSC) Africa certified and we have encouraged our suppliers to apply for certification of its site.

The uptake of these bags has exceeded expectations: we are now sourcing additional wet-strength paper and are exploring ways to integrate our cardboard recycling at the distribution centres with the paper bag supply chain. This means that recycled cardboard from SPAR packaging could in future be used to produce paper carrier bags.

Our appeal to consumers

Consumer education is an important factor of #RethinkTheBag. In-store communication encourages shoppers to:

- Bring your own shopping bag.
- Buy a SPAR paper bag.
- Buy a SPAR woven or taxi bag.
- Carry your groceries to your car and pack them into your boot.
- Only as a last option, buy a plastic bag – but please recycle responsibly.

We understand that changing consumers' habits is difficult in a short space of time, which is why the initiative includes incentives in the form of SPAR rewards. Brown paper bags and woven or taxi bags earn shoppers rewards.

OUR JOURNEY CONTINUES

SPAR's ongoing commitment is to evolve this campaign into a far bigger project than just plastic bags: one that will eventually incorporate the collection and recycling of all plastic. We will incorporate as much recycled content into new plastic products as possible to ensure that it is all easily recyclable or reusable and that there are effective recycling systems in place. We also continue to engage with our suppliers regarding single-use plastics and encourage them to find alternatives.

Two further initiatives are underway and will continue in 2019:

Recycling innovation through vending machines

To recycle for a better world, SPAR is exploring the use of innovative new reverse vending machines. Consumers can use these to return packaging to stores. Once deposited, the reverse vending machine can identify brand owners and records packaging according to weight, volume and classification. It is further able to supply real-time information on all these indicators, including identifying the parent company of the waste. These collection reports can be used to determine trends and averages over time, helping us to increase recycling.

Through the reverse vending machine, we can educate consumers about packaging while potentially incentivising this through our rewards programme. It will support our efforts to reduce packaging waste and track progress.

We are piloting 10 units in Johannesburg to understand consumer behaviour and to identify the best sites for these machines.

Our partnership with Tetra Pak

SPAR started a strategic collaboration with one of our main house brand suppliers, Tetra Pak, to find more holistic solutions to the plastic challenge. These consider the environment, product safety, affordability, health and nutrition requirements. Our ultimate objective is to offer products that are made from renewable sources, that are fully recyclable and made locally, while being scalable and available to all players in the industry.

Our strategic collaboration with Tetra Pak is underpinned by four key objectives:

- **Collaboration** – Delivering our outcomes will require partnerships and collaboration with other players beyond just SPAR and Tetra Pak.
- **Planet, product, health** – Our solutions need to consider the environment, product safety and affordable health and nutrition.
- **Renewable, recyclable, local** – Our ultimate objective is to achieve products that are made from renewable sources, are fully recyclable and are made locally - this is a journey.
- **Scalability** – What we develop together ultimately needs to be scalable through being made accessible to many other players in the industry.

Areas of collaboration with Tetra Pak range from raw materials to distribution, consumption, production, retail and post-use. The plastics initiatives we are partnering on include research and development into products like shopping trolleys and roof tiles that can be manufactured from our recycled carrier bags.

THIS JOURNEY SUPPORTS OUR VISION

SPAR's vision is to be the first-choice brands in the communities we serve.

This implies that the welfare of our communities is central to everything we do. By fostering a cleaner environment and creating jobs, these recycling initiatives benefit the communities in which we operate – a win-win situation for all parties involved.

WHO IS SPAR?

SPAR is a warehousing and distribution business with eight distribution centres throughout South Africa. SPAR stores are not owned by SPAR. Store owners sign an agreement with SPAR to use the name and can then source all their stock through SPAR's distribution system.

SPAR stores thus form a network of independent retailers who trade under the SPAR brand and are supplied on a voluntary basis through the SPAR distribution centres.

The distribution centres provide a full range of groceries and general merchandise to retail stores and supply them with fresh produce to supplement in-store service departments, such as the in-store bakery, butchery, deli, ready-to-eat meals and home-meal replacements.

There are about 2 236 SPAR stores across South Africa, broken down into different brands: SUPERSPAR, SPAR, KWIKSPAR, Build it, TOPS, SaveMor and Pharmacy at SPAR.

The distribution business employs around 3 743 people.

WHO IS PLASTICS SA?

Plastics SA represents all sectors of the South African plastics industry, including polymer producers and importers, converters, machine suppliers, fabricators and recyclers. Plastics SA plays an active role in the growth and development of the industry and strives to address plastics-related issues, influence role players and make plastics the material of choice.

WHO IS SAPRO?

The South African Plastics Recycling Organisation (SAPRO) represents the plastics reprocessors in South Africa. Its members procure sorted, baled end-of-life plastics and reprocess it into raw material. The organisation is funded by its members and contracts the services of a part-time general manager to assist with the day-to-day running.

WHO IS FSC AFRICA?

The Forestry Stewardship Council (FSC) Africa enables businesses and consumers to make informed choices about the forest products they buy and creates positive change by engaging the power of market dynamics. Members include some of the world's leading environmental NGOs, businesses and social organisations, as well as forest owners and managers, processing companies and campaigners, and individuals. They define best practices for forestry that address social and environmental issues. The membership consensus sets the FSC principles and criteria - the highest standards of forest management which are environmentally appropriate, socially beneficial and economically viable.

WHO IS TETRA PAK?

Tetra Pak is the world's largest food processing and packaging solutions company. They specialise in complete solutions for the processing, packaging and distribution of food products. They provide safe, innovative and environmentally sound products in more than 160 countries.

ENQUIRIES:

Kevin O'Brien

SPAR Executive Risk and Sustainability

Kevin.obrien@spar.co.za

Tel: 031 719 1811

Cel: 082 820 2002