



Victoria's Container Deposit Scheme

Material Recovery Facilities Protocol

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1 Scope of this document

The Material Recovery Facilities Protocol covers the matters outlined in section 103 of the *Circular Economy (Waste Reduction and Recycling) Act 2021* (CE Act). The document should be read in conjunction with the *Local Government Refund Sharing Protocol* and respective Material Recovery Facility (MRF) *Recovery Agreement*.

2 Circular Economy (Waste Reduction and Recycling) Act 2021

The overall objectives of the CE Act outlined in section 5 and specific reference to the hierarchy set out in section 8 (3) must be considered by participating parties when implementing this protocol.

Under Section 103 of the CE Act, the Head, Recycling Victoria may issue a Material Recovery Facilities Protocol.

The CE Act provides for the Material Recovery Facilities Protocol to set out the *Refund Amount* that the Scheme Coordinator of Victoria's Container Deposit Scheme (CDS) must pay to a material recovery facility (MRF) operator under a Recovery Agreement.

The Material Recovery Facilities Protocol sets out:

- the *Refund Amount* that the Scheme Coordinator is required to pay to a MRF operator under a Recovery Agreement.
- the method, including any prescribed requirements that must be adhered to for determining the refund amount and may specify a *Refund Amount* for:
 - a specific MRF
 - a class of MRF operators
 - a class of eligible containers.

The Head, Recycling Victoria may vary or revoke the Material Recovery Facilities Protocol at any time.

3 Protocol framework

The Material Recovery Facilities Protocol is supported by the following documents:

1. **Recovery Agreement:** This agreement outlines the terms and conditions between the Scheme Coordinator and the MRF operators. It includes provisions for the refund amount the Scheme Coordinator must pay to a MRF operator.
2. **Local Government Refund Sharing Protocol:** This protocol, issued by the Head, Recycling Victoria, determines the allocation of refund amount and provides for approved costs incurred by the MRF operator. MRF operators, third-party operators (where relevant), and local governments may negotiate an allocation agreement independent of the *Local Government Refund Sharing Protocol*.
3. **Material Recovery Facilities Protocol Sampling Plan:** This sampling plan is approved by Recycling Victoria and includes the methodology for establishing eligible container factors (ECF) for each output material type, processes, requirements and timeframes for the Scheme Coordinator to publish the eligible container factor for each output material type each quarter.
4. **Quarterly Eligible Container Factors and Requirements Report:** This report is approved by Recycling Victoria and published by the Scheme Coordinator quarterly and includes eligible containers and eligible container factors for use by participating parties in the upcoming quarter.

These supporting documents provide further details and guidelines for the implementation of the Material Recovery Facilities Protocol and are shown in Figure 1 - Protocol framework

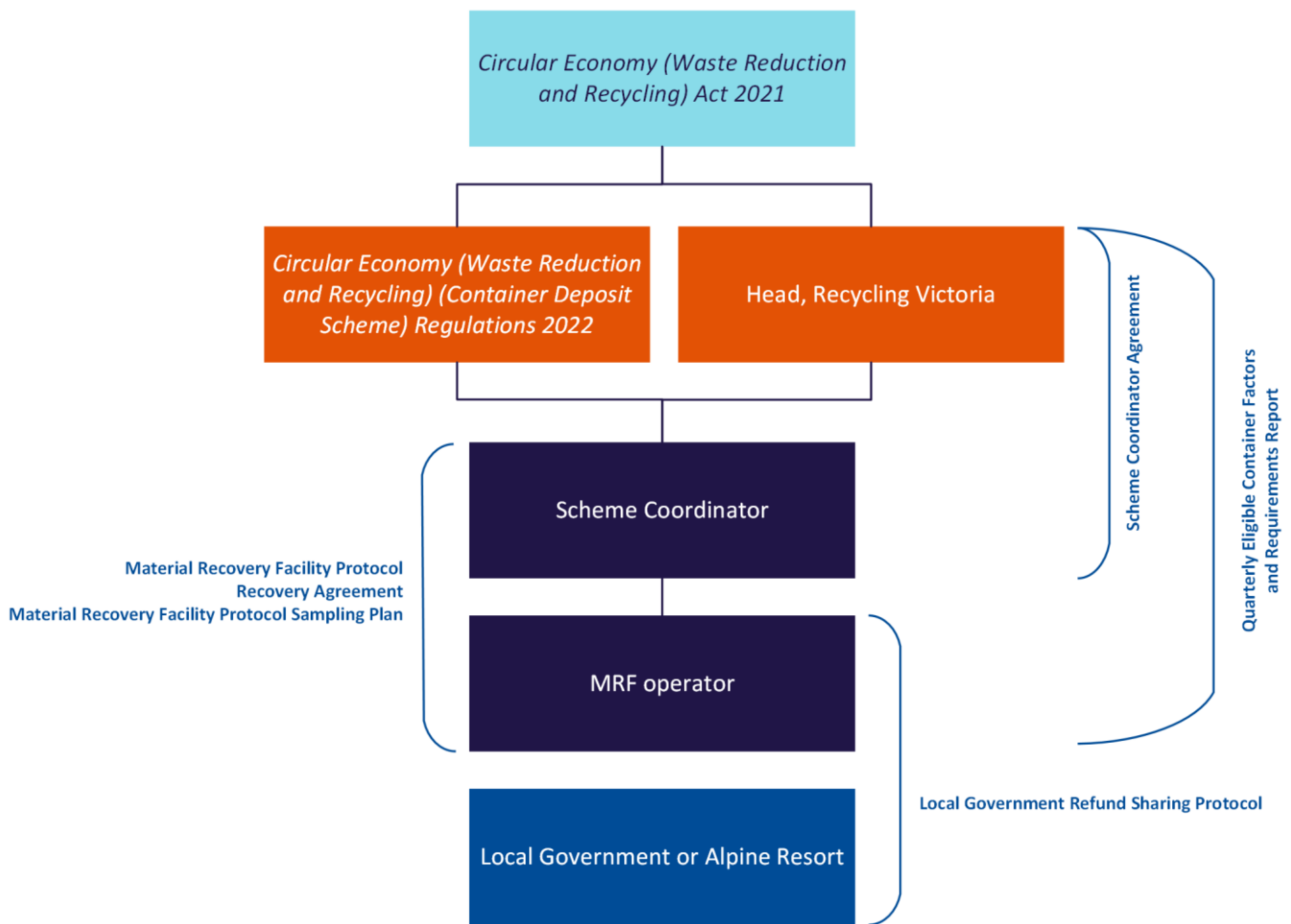


Figure 1 - Protocol framework

3.1 Principles of the protocol framework

The protocol framework aims to provide a transparent, fair and cost-effective process that:

- is replicable
- is transferrable to material recovery facilities of all types and sizes
- is auditable
- aims to eliminate the opportunity for fraud
- to the extent possible, provides the most accurate representation of the amount of eligible material redeemable under the scheme presented in household bins or delivered to the MRF by other agreements.

4 Purpose of the protocol

The Material Recovery Facilities Protocol establishes the terms for determining the refund amount from Victoria’s Container Deposit Scheme between the Scheme Coordinator and MRF operators with a *Recovery Agreement*.

It provides a structured approach calculating the refund amount payable between parties and managing the financial implications, including approved incurred costs, which arise due to the implementation of the Container Deposit Scheme.

The Material Recovery Facilities Protocol clarifies:

- stakeholders

- applicability
- material output types eligible for refund
- methodology
- sampling and the *Material Recovery Facilities Protocol Sampling Plan*
- calculations
- refund amounts payable
- reporting and record keeping obligations necessary to make a valid claim
- audit and assurance requirements.

5 Definitions and abbreviations

The purpose of this section is to provide clear definitions of the terms and abbreviations used within the protocol.

Definitions and abbreviations	
Approved incurred costs	Approved incurred costs are costs defined by the <i>Material Recovery Facilities Protocol</i> and the <i>Local Government Refund Sharing Protocol</i> that a participating party may claim in order to meet the <i>Material Recovery Facilities Protocol Sampling Plan</i> and <i>Recovery Agreement</i> requirements.
Collection Contractor	A collection contractor is a third party engaged on behalf of local government or a business to provide waste management and resource recovery services that involves the collection and deposit of suitable eligible containers at a MRF.
Eligible container factors	The eligible container factors are state-wide averages of the number of suitable eligible containers in each kilogram of a material type (e.g., glass or PET). They are used to determine how much a MRF operator is entitled to claim, if the MRF operator uses the 'weight' method, rather than a direct count of suitable eligible containers.
Eligible containers	As defined under Section 3 (1) of the CE Act, eligible container means a container designed to contain a beverage that is produced for the sale of the beverage to a consumer while the container is sealed, other than a container that is prescribed not to be an eligible container.
Ineligible container	An ineligible container is a container which has been deemed ineligible by the Head, Recycling Victoria, upon assessment under Section 99 of the CE Act, or a suitable eligible container for which a refund amount has previously been claimed or supplied outside Victoria.
Lawful site	A lawful site is a resource recovery destination that complies with the <i>Permissions Framework</i> presented by the <i>Environment Protection Act 2017</i> , the <i>Environment Protection Regulations 2021</i> , the General Environmental Duty and subordinate regulations administered by the Environment Protection Authority Victoria.
Local government	Local government refers to any local government or Alpine Resorts Victoria responsible for the governance of a municipal area in Victoria.
Local Government Refund Sharing Protocol	As defined in Section 104 of the CE Act, the <i>Local Government Refund Sharing Protocol</i> sets out the minimum share and methods for calculating allocation of the net refund amount between a council or one of the six alpine resorts under the management of Alpine Resorts Victoria and a material recovery facility operator.
Material Recovery Facilities Protocol	As defined in Section 103 of the CE Act, the <i>Material Recovery Facilities Protocol</i> sets out the method for determining the refund amount that the Scheme Coordinator must pay.
Material Recovery Facilities Protocol Sampling Plan	The Scheme Coordinator will issue a <i>Material Recovery Facilities Protocol Sampling Plan</i> as a requirement of the <i>Material Recovery Facilities Protocol</i> .

Material recovery facility	As defined in the Section 3 of the CE Act, a material recovery facility is: (a) a mixed-stream facility that sorts — (i) mixed recycling from municipal residual waste into separate paper, plastic, metal and glass streams or other prescribed material; or (ii) industrial waste; or (b) a single-stream material recovery facility that — (i) sorts material that has been sorted at a mixed-stream material recovery facility; or (ii) takes single streams of waste and separates the component grades of the material.
Material recovery facility operator	A material recovery facility operator operates one or more lawful material recovery facilities that receive suitable eligible containers from a permitted material source in Victoria.
Municipal recycling service	As defined in section 3 of the CE Act - means a service provided by or on behalf of a local government: (a) that collects, manages, transports, and processes or sorts, municipal recycling material; and (b) that is prescribed to be a municipal recycling service For the purposes of this protocol, if regulations to prescribe a municipal recycling service are not in place, municipal recycling service means a service provided by, or on behalf of, a local government that collects, manages, transports, and processes or sorts, municipal recycling material. but does not include any service prescribed not to be a municipal recycling service.
Network Operator	A network operator means a person appointed as a network operator under Section 91 of the CE Act.
Output material types	Material types containing suitable eligible containers presented by the MRF operator for reuse or recycling. One the following output material types must be selected. 1. Aluminium 2. PET 3. HDPE 4. Mixed plastics (combination of all plastics or segregated plastic excluding PET and HDPE) 5. Glass 6. Steel 7. LPB 8. Any other eligible containers or container blend as approved by Recycling Victoria.
Permissions Framework	Means the <i>Permissions Framework</i> presented by the <i>Environment Protection Act 2017</i> , the <i>Environment Protection Regulations 2021</i> , the General Environmental Duty, and subordinate regulations administered by the Environment Protection Authority Victoria.
Permitted material source	A permitted material source is a material or collection source that MRF operators are permitted to sort and claim a refund amount for under a <i>Recovery Agreement</i> . The permitted material sources are published in the <i>Quarterly Eligible Container Factors and Requirements Report</i> .
Quarter	a) A quarter is one of the following periods in the year: • 1 July to 30 September • 1 October to 31 December • 1 January to 31 March • 1 April to 30 June.
Quarterly Eligible Container Factors and Requirements Report	The <i>Quarterly Eligible Container Factors and Requirements Report</i> details the eligible container factors to be used in the next claim period, along with other requirements that the MRF operator must meet to claim a <i>refund amount</i> .
Recovered	Recovered means an outcome where products and materials have been managed in accordance with the hierarchy set out in Section 8(3) of the CE Act.
Recovery	Recovery means ensuring that products and materials are managed in accordance with the hierarchy set out in Section 8(3) of the CE Act.

Recovery Agreement	Recovery Agreement refers to an agreement between the Scheme Coordinator and one or more MRF operators requiring the Scheme Coordinator to pay to the MRF operator(s) refund amounts for recycling and resource recovery of suitable eligible containers. A valid Recovery Agreement is taken to satisfy requirements as defined in Section 81 (c) of the CE Act, (<i>recovery arrangements</i>). The Scheme Coordinator may enter into multiple Recovery Agreements.
Recycling	As defined in Section 3 of the CE Act, including: (a) reusing waste resources; and (b) recycling or reprocessing waste resources to make the same or different products.
Refund amount	As defined in Section 3 (1) of the CE Act, a refund amount in relation to a suitable eligible container or to a MRF operator, means (a) the amount prescribed to be the refund amount in relation to that eligible container or MRF operator; or (b) if no amount is prescribed in relation to a suitable eligible container or to a MRF, the amount determined in accordance with any material recovery facilities protocol issued under Section 103 that applies to that eligible container or MRF operator.
Scheme Coordinator	As defined in Section 79 (a) of the CE Act, a Scheme Coordinator manages and coordinates the administration of the container deposit scheme throughout Victoria.
Scheme Coordinator Agreement	Means an agreement entered into by the Scheme Coordinator and the Minister under Section 80 of the CE Act.
Suitable eligible containers	As defined under Section 3 (1) of the CE Act, suitable eligible container means an eligible container approved to be a suitable eligible container under section 99(3). For the purposes of this protocol as it relates to identifying suitable eligible containers through audit and assurance processes, an eligible container meeting the requirements set out in Part 2 section 6 of the <i>Circular Economy (Waste Reduction and Recycling) (Container Deposit Scheme) Regulations 2022</i> may be counted as a suitable eligible container.

Terms within this protocol have the same meaning as defined within the CE Act.

6 Objectives

The Material Recovery Facilities Protocol aims to:

- support Victoria's transition to a circular economy
- protect the integrity of Victoria's Container Deposit Scheme
- maximise legitimate returns to communities
- support equity between participants
- promote efficiency.

7 Eligible Facilities

This *Material Recovery Facilities Protocol* can apply only to MRFs as defined by the CE Act. A material recovery facility means either:

- (a) a mixed-stream material recovery facility that sorts:
- (i) mixed recycling from municipal residual waste into separate paper, plastic, metal and glass streams or other prescribed material; or

(ii) industrial waste; or

(b) a single-stream material recovery facility that:

(i) sorts material that has been sorted at a mixed-stream material recovery facility; or

(ii) takes single streams of waste and separates the component grades of the material.

The Head, Recycling Victoria cannot make protocols requiring the Scheme Coordinator to pay a refund to any party or facility that does not meet this definition. For example, under the current settings a bottle-crushing service operator (BCSO) does not satisfy the definition because they themselves are not conducting any sorting are not prescribed to be a material recovery facility.

Appendix 1 provides key examples of MRF or classes of MRF which typically meet (or do not meet) the definition, and with whom the Scheme Coordinator may enter into a Recovery Agreement. This list is not exhaustive.

8 Participating parties

Participating parties to the Material Recovery Facilities Protocol include, but are not limited to:

- the Scheme Coordinator
- MRF operators

A participating party is any party who is a signatory to the *Recovery Agreement*, which will contain a schedule of participating parties that will be updated from time to time. A participating party may or may not be based within the state of Victoria, however in all cases the MRF operator must be able to verify the source of the material received containing suitable eligible containers by distinguishing between Victorian material from that received from other jurisdictions and meet all the requirements of this protocol and related documents.

9 Applicability of the protocol

The Material Recovery Facilities Protocol shall apply when materials including suitable eligible containers are received and sorted by a MRF operator from a permitted material source. The Material Recovery Facilities Protocol is taken to be a condition of any *Recovery Agreement* between participating parties.

The protocol only applies to material sourced from Victoria as defined in Permitted material sources. All material collected in jurisdictions other than Victoria, (i.e., interstate) are prohibited from any refund claim.

A MRF operator is only eligible for a refund through the Container Deposit Scheme under the terms of a fully executed *Recovery Agreement* with the Scheme Coordinator.

10 Permitted material sources

Permitted material sources include a commercial and industrial collection service or a municipal residential and municipal commercial recycling service collecting material in Victoria.

The permitted material sources shall be published by the Scheme Coordinator each quarter in the *Quarterly Eligible Container Factors and Requirements Report* and may be updated from time to time.

Permitted material sources are outlined in Figure 2- Permitted material sources in the first *Quarterly Eligible Containers Factors and Requirements Report*.

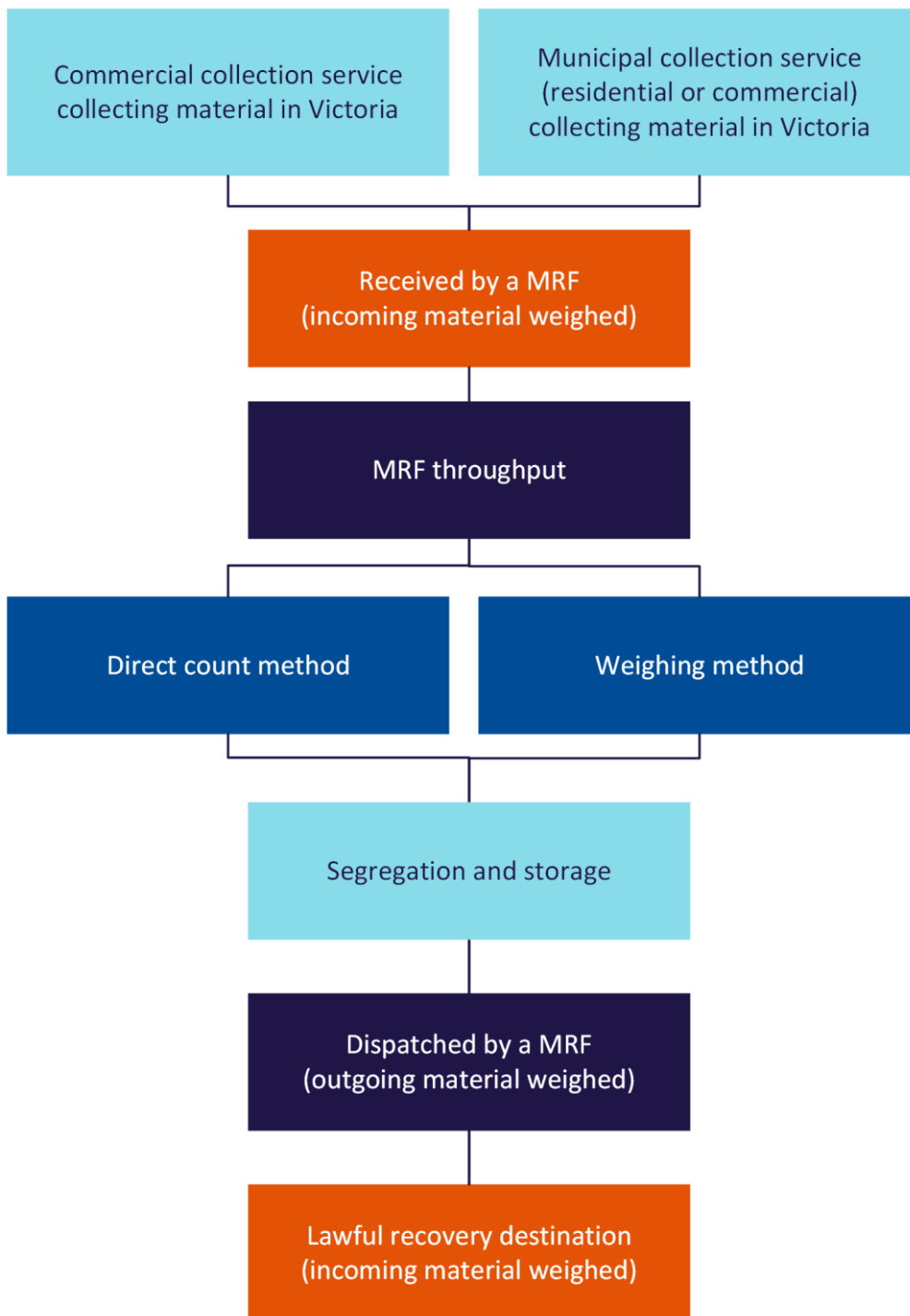


Figure 2- Permitted material sources in the first *Quarterly Eligible Containers Factors and Requirements Report*.

Assurance and data reporting requirements may differ depending on the permitted material source and interface requirements with the *Local Government Refund Sharing Protocol* and respective *Recovery Agreement* with the Scheme Coordinator.

11 Materials sorting and outputs

Under all methods available in this protocol, the output materials dispatched from a MRF for the purpose of recovery must be separated into the output material types listed in this protocol, approved by Recycling Victoria, and published by the Scheme Coordinator in the *Quarterly Eligible Container Factors and Requirements Report*.

There is no requirement for permitted material sources to be sorted at a Victorian site. If a permitted material source is sorted via a site in another jurisdiction, the site is subject to the eligibility and reporting requirements outlined in this *Material Recovery Facilities Protocol*, the associated *Material Recovery Facility Sampling Plan* and a relevant *Recovery Agreement*.

The material output types must meet the requirement for recovery of suitable eligible containers.

Recovery of suitable eligible containers must occur at a lawful site.

12 Requirement for recovery of suitable eligible containers

The Material Recovery Facilities Protocol requires that suitable eligible containers be deposited and accepted at a lawful destination for recycling to determine a refund amount payable by the Scheme Coordinator.

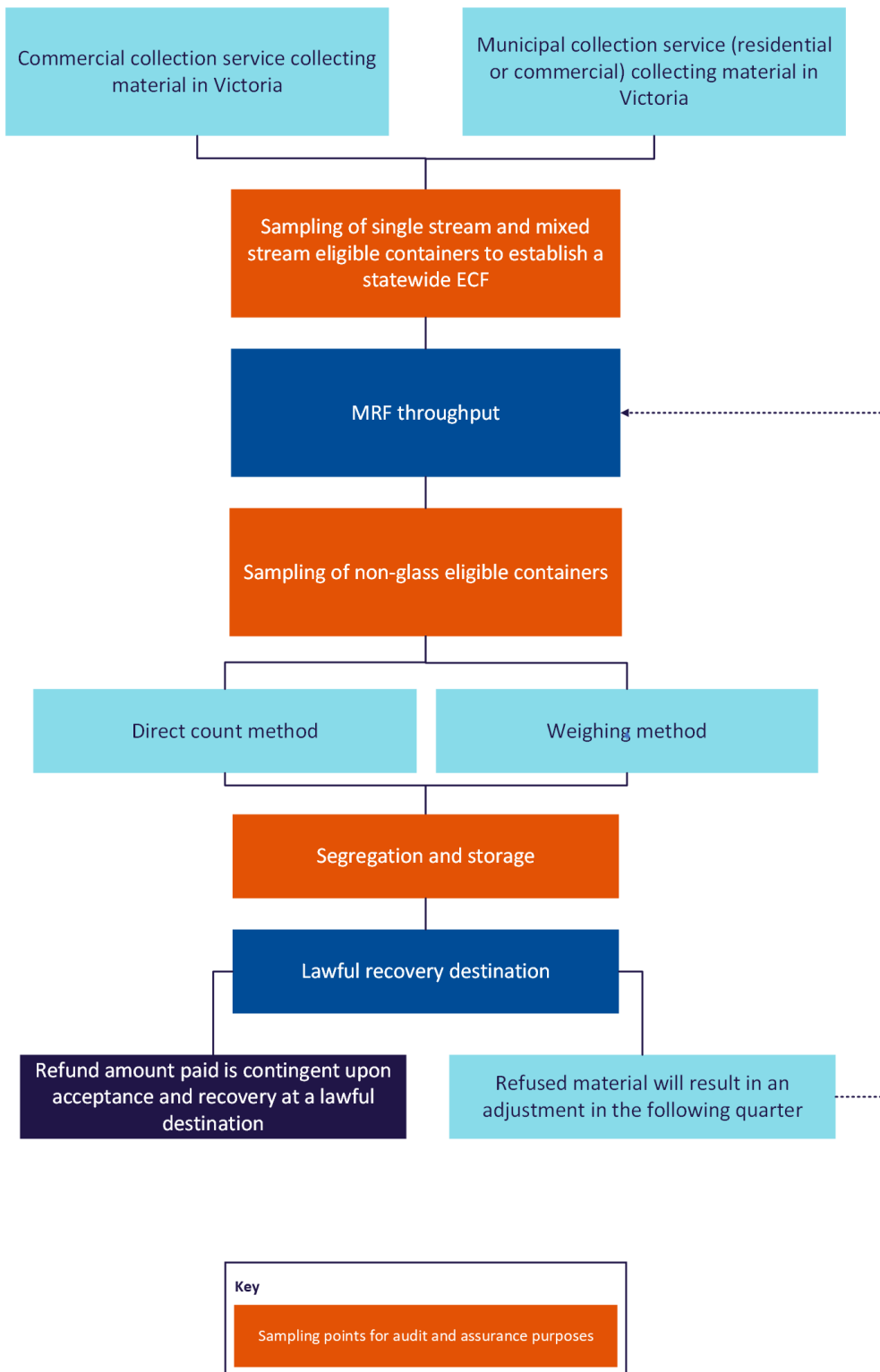


Figure 3 indicates the sampling point within the MRF operations, with more detail included in the *Material Recovery Facilities Protocol Sampling Plan*.

To ensure traceability, each stage of this process must be reported, recorded, auditable and accessible by participating parties upon request.

MRF operators must determine the number of suitable eligible containers received, sorted, stored, dispatched, and accepted for recycling each month. Where the material is returned to the MRF for re-sorting it shall be deducted from the claim it was initially included in and may be included in the next claim.

Consignments containing suitable eligible containers that are sent to landfill may constitute an offence under the Act.

Suitable eligible containers must be monitored, recorded and auditable throughout each stage of the MRF processes.

Where the Scheme Coordinator determines that materials that are the subject of a claim have not met the requirements of the *Recovery Agreement* or the *Material Recovery Facilities Protocol*, the Scheme Coordinator must refuse to pay a refund amount claim.

If the Scheme Coordinator is not satisfied the suitable eligible containers being claimed were deposited at a lawful site for recovery, the Scheme Coordinator may audit or seek evidence from the receiving site and be satisfied resource recovery is occurring. If the Scheme Coordinator is not satisfied, the Scheme Coordinator must give written notice and withhold payments according to the *Recovery Agreement*. The Scheme Coordinator can require evidence from the MRF operator or the downstream processor to demonstrate that the material is being processed for recycling.

The Scheme Coordinator can withhold payments, deduct, and or claim adjustments based on the acceptance and recycling of suitable eligible containers at a lawful site.

13 Methods available

A MRF operator may make a claim for the payment of a refund amount by lodging a claim with the Scheme Coordinator, in accordance with this protocol and a *Recovery Agreement*.

One of the following methods must be used for estimating the total number of suitable eligible containers sorted for recovery by the MRF operator during any given quarter:

- Weighing.
- Manual direct count.
- Automatic direct count.
- Other systems as agreed to by the Scheme Coordinator and approved by the Head, Recycling Victoria.

A MRF operator must nominate to the Scheme Coordinator which method will be used for each output material type. A lead time to nominate the method may be stipulated under the *Recovery Agreement*.

13.1 Receiving and dispatching material

To remain compliant with requirements of the *Material Recovery Facilities Protocol* and the *Local Government Refund Sharing Protocol*, MRF operators must, in all circumstances measure and record the weight in tonnes received from each material source using an auditable format.

This verification is typically achieved via a certified weighbridge and respective invoicing. All MRF operators are to ensure that, regardless of the method used, all weighing equipment is tested and calibrated to accurately record all materials received or dispatched that are the subject of a claim to the Scheme Coordinator.

13.2 Weighing

A MRF operator can use the weighing method to measure and document the quantity of each output material type that is dispatched from the MRF. The following criteria must be followed:

- This measurement must exclude any scheme material for which a claim has already been made.
- The weight of each output material type must be measured in metric tonnes.
- This measurement must weigh the mass of each output material type dispatched from the MRF (out the gate) and accepted at a site for recycling (in the gate).

- The dates, origins, destinations, and *Permissions Framework* requirements for each load originating from the MRF must be documented.
- Calibrated weighing equipment must be used to measure the weight, and the measurements must be recorded with the calibrated resolution specific to the equipment in use and according to the *National Measurement Act 1960*.
- Weighbridges must undergo verification (as defined in the *National Measurement Act 1960*) at least once annually.
- The methodology for validating counting procedures must be submitted in writing and approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- The approval decision will be based on a case-by-case assessment of the MRF operator's procedures, including manual recounts or peer reviews as examples of validation methodologies.
- The data collected via measurements must be collected and stored in a manner that complies with the reporting and recording keeping requirements of the Material Recovery Facilities Protocol and the *Recovery Agreement*.

13.3 Manual direct count

A MRF operator can choose to use the manual direct count method for one or more output material types. The following guidelines must be followed:

- This measurement must exclude any scheme material for which a claim has already been made.
- The total number of suitable eligible containers by output material type must be measured in an integer (whole number).
- This measurement must count the number of individual suitable eligible containers for each output material type dispatched from the MRF and accepted at a site for recycling.
- The dates, origins, destinations, and *Permissions Framework* requirements for each load originating from the MRF must be documented.
- MRFs must perform a monthly manual recount for each nominated output material type that will use the direct count method. The recount must cover a day's throughput for the output material type, excluding abnormal volume days such as after an event or public holiday.
- The recount must be based on a representative sample as approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- Recounts must be conducted by an independent party.
- All eligible containers subject to manual recount must be stored separately by material type until baling, for audit purposes. Documentary evidence of all recounts must be submitted monthly to the Scheme Coordinator.
- All recounts must be documented and kept as evidence.
- The methodology for validating counting procedures must be submitted in writing and approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- The approval decision will be based on a case-by-case assessment of the MRF operator's procedures, including manual recounts or peer reviews as examples of validation methodologies.
- The data collected via measurements must be collected and stored in a manner that complies with the reporting and recording keeping requirements of the Material Recovery Facilities Protocol and the *Recovery Agreement*.
- Weighbridges must undergo verification (as defined in the *National Measurement Act 1960*) at least once annually.

13.4 Automated direct count

A MRF operator can choose to use the automated direct count method for one or more output material types. The following guidelines must be followed:

- This measurement must exclude any scheme material for which a claim has already been made.
- Automatic counting machinery must be capable of reading the barcode of each eligible container and accurately distinguishing between eligible and ineligible containers.
- The automatic counting machinery must be maintained in accordance with the manufacturer's recommendations, and its counting accuracy must be verified annually by an independent and licensed third party.
- The dates, origins, destinations, and *Permissions Framework* requirements for each load originating from the MRF must be documented.
- MRFs must perform a monthly manual recount for each nominated output material type using the direct count method. The recount must cover a day's throughput for the output material type, excluding abnormal volume days, such as after an event or public holiday.
- Recounts must be conducted by an independent party.
- The recount must be based on a representative sample as approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- For audit purposes, all suitable eligible containers subject to manual recounting must be stored separately by material type before baling. Documentary evidence of all recounts must be submitted monthly to the Scheme Coordinator.
- The methodology for validating counting procedures must be submitted in writing and approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- The approval decision will be based on a case by case assessment of the MRF operator's procedures, including manual recounts or peer reviews as examples of validation methodologies.
- The data collected via measurements must be collected and stored in a manner that complies with the reporting and recording keeping requirements of the Material Recovery Facilities Protocol and the *Recovery Agreement*.
- Weighbridges must undergo verification (as defined in the *National Measurement Act 1960*) at least once annually.

13.5 Other systems

- This measurement must exclude any scheme material for which a claim has already been made.
- All systems other than by weight or direct count must be agreed by the Scheme Coordinator and approved by the Head, Recycling Victoria.
- Any automated counting systems based on image recognition or new proven technology must achieve equivalent resolution and confidence as manual counting and/or automatic barcoding counting.
- The dates, origins, destinations, and *Permissions Framework* requirements for each load originating from the MRF must be documented.
- MRFs must perform a monthly manual recount for each nominated material type using the direct count method. The recount must cover a day's throughput for the output material type, excluding abnormal volume days, such as an event of public holiday.
- Recounts must be conducted by an independent party.
- The recount must be based on a representative sample as approved by the Scheme Coordinator as a part of the *Recovery Agreement*.

- For audit purposes, all eligible containers subject to manual recounting must be stored separately by material type before baling. Documentary evidence of all recounts must be submitted monthly to the Scheme Coordinator.
- The methodology for validating counting procedures must be submitted in writing and approved by the Scheme Coordinator as a part of the *Recovery Agreement*.
- The approval decision will be based on a case by case assessment of the MRF operator's procedures, including manual recounts or peer reviews as examples of validation methodologies.
- The data collected via measurements must be collected and stored in a manner that complies with the reporting and recording keeping requirements of the Material Recovery Facilities Protocol and the *Recovery Agreement*.

The inclusion of other systems enables flexible and auditable approaches to determination of suitable eligible containers. Private entities sorting and recovering material may seek agreement from the Scheme Coordinator and approval from the Head, Recycling Victoria to implement alternate technologies and systems. New technologies and processes may require the Scheme Coordinator to develop an appropriate statewide eligible container factor.

Equity in application and distribution of such statewide eligible container factors is maintained through use of a per container sampling cost recovery mechanism. Any new suitable eligible container factors shall be published in the *Quarterly Eligible Container Factors and Requirements Report*.

14 Sampling

The Scheme Coordinator will supply a Material Recovery Facilities Protocol Sampling Plan. The *Material Recovery Facilities Protocol Sampling Plan* will be provided in an approved form including:

- a methodology for establishing eligible container factors for each output material type and where necessary for specific single streams of output material types (e.g., glass)
- processes and timeframes for establishing eligible container factors
- requirements of the Scheme Coordinator to publish the eligible container factor for each output material type each quarter.

In the case of kerbside and drop-off material collected through a municipal recycling service, the eligible container factors for all eligible material shall be calculated through kerbside or on-site audits by the Scheme Coordinator. These eligible container factors are published in the *Quarterly Eligible Container Factors and Requirements Report*.

In the case of suitable eligible containers collected from commercial and industrial sources, the Scheme Coordinator may audit the MRF, or require an independent audit of the single stream and mixed stream suitable eligible containers to produce an eligible container factor for specific material stream/s for a specific MRF.

Sampling and auditing frequency may be varied in relation to the permitted material source. For instance, as Victoria's Container Deposit Scheme matures the presentation of suitable eligible containers in the municipal kerbside collections may stabilise, enabling a reduction in the frequency of auditing.

15 Calculation of suitable eligible containers

The refund amount by the Scheme Coordinator to a MRF operator is based on the suitable eligible containers reused or recovered in a quarter. The calculations detailed below determine the number of suitable eligible containers in compliance with the Material Recovery Facilities Protocol, the *Material Recovery Facilities Protocol Sampling Plan*, the *Quarterly Eligible Container Factors and Requirements Report* and any *Recovery Agreement*.

15.1 Weighing

Where a MRF operator makes a refund amount claim under the *Recovery Agreement* using the weighing method for a particular output material, they must calculate the estimated number of suitable eligible containers sorted for recovery during the quarter using the following calculation:

$$SE_i = (Q_i * ECF_i) - (R_i * ECF_i)$$

i is the output material type approved during the period the claim is submitted in the *Quarterly Eligible Container Factors and Requirements Report* issued by the Scheme Coordinator.

SE_i is the estimated number of suitable eligible containers sorted for recovery during the quarter for output material type (i) for the quarter.

Q_i is the total weight of suitable eligible containers of output material type (i) measured in tonnes dispatched from the MRF for recovery during the quarter, excluding any claimed scheme material.

ECF_i is the eligible container factor for output material (i) as a proportion of the number of suitable eligible containers contained in 1 tonne of output material type (i)

R_i is the total weight of suitable eligible containers of output material (i) from the previous claim that was rejected or disposed of, by a lawful recovery destination.

A container is considered sorted for recycling if a lawful site has accepted the material.

15.2 Direct count automatic or manual

Where a MRF operator makes a refund amount claim under the *Recovery Agreement* using the direct count method for a particular output material, they must calculate the number of suitable eligible containers sorted for recovery during the quarter using the following calculation:

$$SE_i = DC_i - RC_i$$

i is the output material type approved during the period the claim is submitted in the *Quarterly Eligible Container Factors and Requirements Report* issued by the Scheme Coordinator.

SE_i is the number of suitable eligible containers sorted for recovery during the quarter for output material type (i) for the quarter.

DC_i is the direct count of suitable eligible containers in the approved output material type (i) dispatched from the MRF for recovery during the quarter, excluding any claimed scheme material.

RC_i is the direct count of suitable eligible containers in the approved output material type (i) from the previous claim that that was rejected or disposed of, by a lawful recovery destination.

A container is considered sorted for recycling if a lawful site has accepted the material.

15.3 Materials received from other States and Territories (imports)

Where material is accepted at a Victorian MRF from another jurisdiction (imported) the refund will be further adjusted based on the amount of material imported proportional to the material received from Victorian sources, known as the Import Ratio.

Materials received from Victorian sources to total materials received by the MRF against the total estimated number of eligible containers dispatched from the MRF using the following calculation:

$$M = V / T$$

Where:

M is the import ratio.

V is the total weight of material received at the MRF from sources within Victoria during the claim period (quarter), excluding any Non-claimable Material.

T is the total weight of material received at the MRF from all sources during the claim period (quarter), excluding any Non-claimable Material.

Note: The Import ratio is calculated for the entire claim period (quarter). It is not a monthly calculation.

For Weighing Method, the following adjustment shall be applied

$$SE_i = \{(Q_i * ECF_i) - (R_i * ECF_i)\} * M$$

For Direct Count (Automatic or manual) Method the following adjustment shall be applied

$$SE_i = \{DC_i - RC_i\} * M$$

16 Recovery of approved incurred costs

The Scheme Coordinator may only seek to recover costs associated with the implementation of this protocol and activities or agreements supporting its application, known as approved incurred costs.

For the Scheme Coordinator, the recovery of any approved incurred costs shall be through adjustment of the MRF operators claim prior to the refund amount determined by the Scheme Coordinator. The refund amount is provided to the MRF operator itemising all adjustments.

16.1 Approved incurred costs – Scheme Coordinator

The following activities related to administration, audits and sampling are considered approved incurred costs for the Scheme Coordinator.

- Administration activities only to audit the MRF operator's claims to the Scheme Coordinator as required by the Material Recovery Facilities Protocol, *Material Recovery Facilities Protocol Sampling Plan* and any *Recovery Agreement* for data reporting and assurance requirements.
- Any audit of the MRF operator's claims to the Scheme Coordinator as required by the Material Recovery Facilities Protocol, *Material Recovery Facilities Protocol Sampling Plan* and any *Recovery Agreement* for data reporting and assurance requirements.
- Sampling of suitable eligible material as set out in the *Material Recovery Facilities Protocol Sampling Plan*.

16.2 Approved incurred costs – MRF Operator

The MRF operator may only seek to recover approved incurred costs outlined in the *Local Government Refund Sharing Protocol*. For MRF operators, the recovery of approved incurred costs is achieved through adjustment of the *Refund Amount* provided by the Scheme Coordinator. The net refund amount is distributed between participating parties as outlined in the *Local Government Refund Sharing Protocol*.

The following activities related to administration and auditing are considered approved incurred costs for MRF operators:

- Administration activities only to count or recount suitable eligible containers and output material types required by the Material Recovery Facilities Protocol, *Material Recovery Facilities Protocol Sampling Plan* and respective *Recovery Agreement* to claim a refund amount from the Scheme Coordinator.
- Audits conducted internally or by an independent third party to count or recount suitable eligible containers and output material types required by the Material Recovery Facilities Protocol, *Material Recovery*

Facilities Protocol Sampling Plan and respective *Recovery Agreement* to claim a refund amount from the Scheme Coordinator.

16.3 Sampling costs

Where the weighing method is applied, the Scheme Coordinator may deduct from the refund amount for a MRF operator, the cost incurred to undertake the procedures set out in the *Material Recovery Facilities Protocol Sampling Plan*.

This approved incurred cost is recovered from the *Refund Amount* payable from each claim submitted before payment is made to the MRF operator. See section 18 Submitting a statement below.

This cost shall be recovered proportionally from each refund amount claim according to the per container sampling cost for each output material type, calculated using the number of suitable eligible containers claimed during the previous quarter after accounting for any material that was not accepted at a lawful site for recovery.

$$PCSC_i = \frac{C_i}{SE_i}$$

$PCSC_i$ is the per container sampling cost for each output material type (i).

SE_i is the number of suitable eligible containers sorted for recovery during the previous quarter for each output material type (i) for all MRF operators.

C_i is the total cost incurred by the Scheme Coordinator to undertake the sampling plan for the previous quarter for each output material type (i) throughout Victoria.

i is the output material type approved during the previous quarter, submitted in the *Quarterly Eligible Container Factors and Requirements Report* issued by the Scheme Coordinator.

The total sampling cost deduction incurred is calculated using:

$$D_i = PCSC_i * SE_i$$

D_i is the sampling cost deduction incurred for each output material type (i).

$PCSC_i$ is the per container sampling cost for each output material type (i) as a state-wide cost.

SE_i is the number of suitable eligible containers sorted for recovery during the previous quarter for each output material type (i) for all MRF operators.

i is the output material type approved during the previous quarter, submitted in the *Quarterly Eligible Container Factors and Requirements Report* issued by the Scheme Coordinator.

17 Refund amount payable

The Scheme Coordinator must calculate the refund amount payable to MRF operator on behalf of the participating parties each quarter using the following calculation:

$$P = \sum SE_i * RA - D_i - Au_{SC} - Ad_{SC}$$

P is the refund amount payable to the MRF operator on behalf of the participating parties for the quarter.

i is the output material type approved during the previous quarter, submitted in the *Quarterly Eligible Container Factors and Requirements Report* issued by the Scheme Coordinator.

Σ is the sum over each value of i of $SE_i * RA - D_i$.

SE_i is the number of suitable eligible containers sorted for recovery during the quarter for output material type (i), excluding any claimed scheme material.

RA is the refund amount per eligible container, as set out in the Regulation.

D_i is the sampling cost deduction incurred for each output material type (i).

Au_{SC} is the cost of auditing the MRF operator's claims if an audit has been conducted in the quarter.

Ad_{SC} is the cost of administration relating only to auditing the MRF operator's claims if an audit has been conducted in the quarter.

17.1 Distribution of the refund amount payable

A MRF operator providing municipal recycling services to a council or alpine resort and has entered into a *Recovery Agreement* with the Scheme Coordinator shall provide a share of the refund amount according to the *Local Government Refund Sharing Protocol* unless an existing contract has been reached between the parties for that precise purpose. This relationship is shown in the figure below.

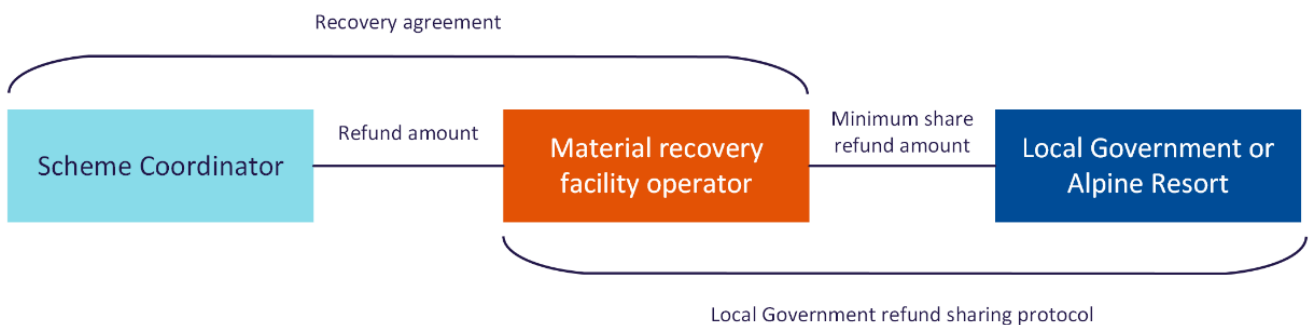


Figure 4 - Distribution of refund amount

Details on distribution and reporting requirements under a *Recovery Agreement* are available in the *Local Government Refund Sharing Protocol*.

18 Submitting a statement

The process for eligible MRF operators to submit a statement of claim is outlined in the *Recovery Agreement* between the MRF operator and the Scheme Coordinator. Consistent with the requirements set out in the Scheme Payments and Contributions Methodology, the Scheme Coordinator must pay eligible MRF operators quarterly in arrears from the scheme payment account, in accordance with the Material Recovery Facilities Protocol and the relevant *Recovery Agreement*.

19 Timeframes

A MRF operator must submit a statement of claim no later than 20 business days (MRF submission timeframe) after the end of a quarter.

The Scheme Coordinator has 20 business days after the MRF submission timeframe to audit, validate and if required, agree any adjustments with the MRF operator.

Upon agreement, The Scheme Coordinator must prepare a Recipient Created Tax Invoice (adjusted if required) and provide payment of the aggregate amount to the MRF operator within 5 business days.

20 Reporting and record keeping

The following data must be recorded by the MRF operator and shared with the Scheme Coordinator each month. A copy of this information must be supplied to relevant participating parties.

20.1 Reporting framework

MRF operators must comply with the *Material Recovery Facilities Protocol* reporting framework. The reporting framework records and monitors the flow of suitable eligible containers from a permitted material source to a lawful site for recovery. The reporting framework shown in Figure 5 outlines the criteria the reporting framework collects to provide assurance to all participating parties.

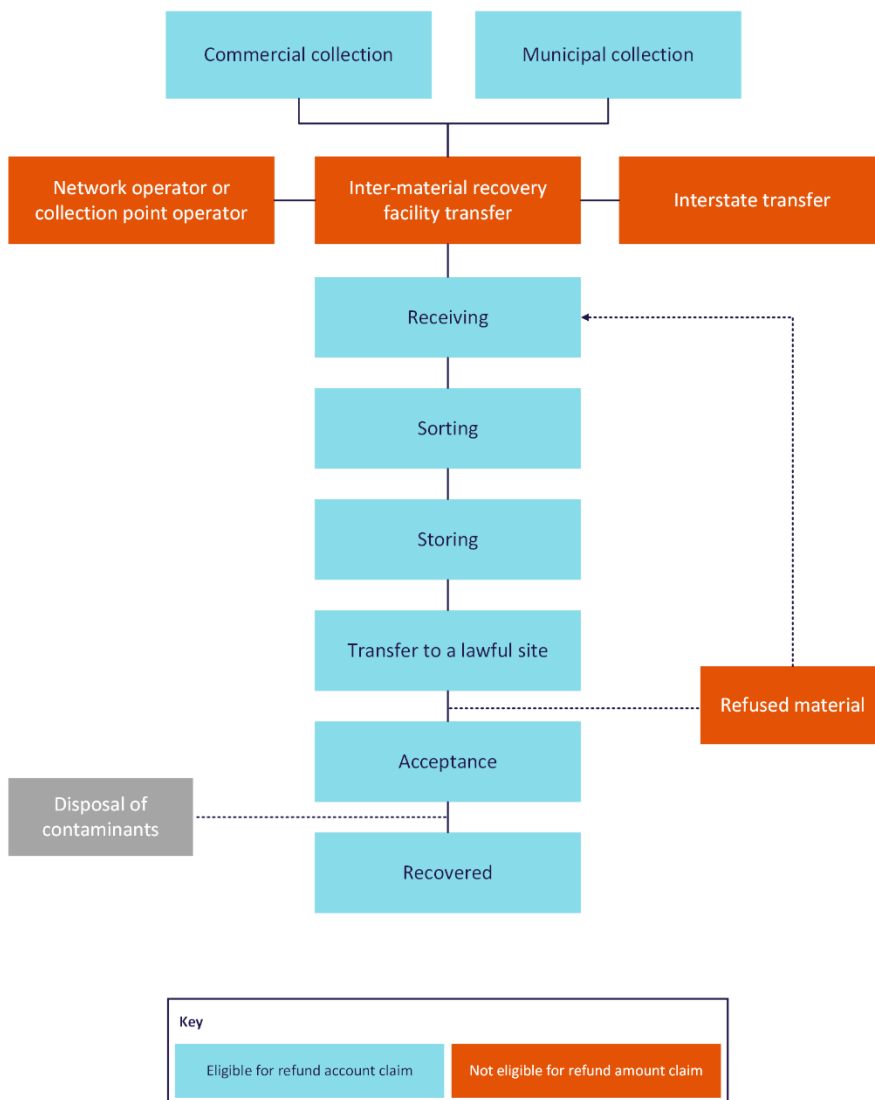


Figure 5 - Reporting framework criteria

20.2 Receiving

- Total weight of all material types ($\sum i$) received at each MRF per month.
- Total weight of all material types ($\sum i$) received at each MRF per month from a Victorian municipal recycling service, by Local Government Area.
- Total weight of all material types ($\sum i$) received at each MRF per month from a Victorian municipal recycling service, by a collection contractor.
- Total weight of all material types ($\sum i$) received at each MRF per month from a commercial and industrial source generated in Victoria, by a collection contractor.
- Total weight of all material types ($\sum i$) received at each MRF per month from a Victorian Network Operator or a collection point operator (claimed material).
- Total weight of all material types ($\sum i$) received at each MRF per month from another MRF operator through (claimed material).

- Total weight of all material types ($\sum i$) received at each MRF per month from another state or territory or from another country, by relevant state or territory or country (imports).
- Total weight of all imported material types ($\sum i$) received at each MRF per month from another MRF operator through an approved Inter-MRF Transfer.

20.3 Storing

- Total weight and number of suitable eligible containers of each material types ($\sum i$) stored at each MRF per month.

20.4 Dispatched

- Total weight and number of suitable eligible containers and number of eligible containers of each material type (i) dispatched to a lawful site for recycling per month.

20.5 Recovery outcome

- Total weight and number of suitable eligible containers of each material type (i) accepted and reprocessed at a lawful recycling destination per month.
- The total weight of each material type (i) rejected at a lawful recycling destination per month.

20.6 Accounting for recovery at a lawful site

The refund amount payable by the Scheme Coordinator is determined by the suitable eligible containers accepted at a lawful site for recovery. Any material accepted by a lawful recycling destination and rejected due to quality or other issues that would deem the material unsuitable for reprocessing is not eligible to be claimed and will be adjusted in the following claim by the Scheme Coordinator.

The recovery outcome is to be recorded by bill of lading, invoice and weighbridge receipt from the operator of the lawful recycling destination recording the transaction of suitable eligible containers for the purpose of recycling.

20.7 Reporting

Reporting requirements for the Material Recovery Facilities Protocol interface with reporting requirements of the *Local Government Refund Sharing Protocol* when a MRF is under a *Recovery Agreement* that requires this. In this case, see the *Local Government Refund Sharing Protocol*.

The MRF operator is required to formalise any approved incurred costs no more than 20 business days after the end of the quarter.

No more than 20 business days after the end of the quarter, the MRF operator must submit a report to participating parties under the reporting requirements of the Material Recovery Facilities Protocol. The report must include the following:

- Details of the reporting criteria above for suitable eligible containers received, sorted, stored and dispatched in that quarter.
- The recovery outcome of suitable eligible containers dispatched in the previous quarter. The recovery outcome is to be recorded by bill of lading, invoice and weighbridge receipt received by the operator of the lawful recycling destination.

- Reporting of measured weight must be in tonnes to 2 decimal points and in accordance with the measurement requirements.
- Reporting of the number of suitable eligible containers must be an integer (whole number).
- Both the weight and number of suitable eligible containers. The MRF operator is required to use the eligible container factor as published in the *Quarterly Eligible Container Factors and Requirements Report* by the Scheme Coordinator to calculate the weight or number of suitable eligible containers depending on the chosen sampling method.
- Any system established by the Scheme Coordinator to submit reports.
- Any format for reporting established by the Scheme Coordinator to submit reports, as published in *Quarterly Eligible Container Factors and Requirements Report*.

Note: There may be additional Australian Government requirements for exporters of waste material. It is the responsibility of MRF operators to understand their obligations.

21 Inter-MRF transfers

In general, materials transferred from one MRF operator to another MRF operator will be deemed non-claimable by the receiving MRF.

However, a MRF operator may seek approval from the Scheme Coordinator to transfer unprocessed kerbside comingled materials to another MRF operator under the following specific scenarios:

- A MRF is not operating due to a malfunction or planned maintenance that impacts the MRF's ability to handle, measure and process material for recycling, or delivery to a recycling facility in Australia or consignment for transport to a recycling facility in a foreign country; or
- A MRF does not have the ability or capacity to process material to a required standard for recycling, or delivery to a recycling facility in Australia or consignment for transport to a recycling facility in a foreign country; or
- Any other scenario approved by the Scheme Coordinator on a case-by-case basis at the time of considering the application.

On a case-by-case basis, the Scheme Coordinator may grant an approval after the transfer of unprocessed kerbside comingled materials and where one of the above scenarios applies, provided the approval was sought as soon as practicable.

Transfers involving non-claimable materials, materials that have been partially processed to any degree or any other materials reasonably determined and notified by the Scheme Coordinator will be ineligible for Inter-MRF Transfer

A MRF operator must apply to the Scheme Coordinator for approval to undertake an Inter-MRF Transfer.

The application must:

- (a) be made in the form specified by the Scheme Coordinator
- (b) state the reason for applying for an Inter-MRF Transfer
- (c) state who the Receiving MRF operator is
- (d) stipulate the timeframe for which the transfer is requested
- (e) be made a minimum of 10 business days in advance of the proposed transfer.

In assessing an application for an Inter-MRF Transfer, the Scheme Coordinator must consider whether:

- (a) the reason for the Inter-MRF Transfer is in accordance with an Inter-MRF Transfer scenarios listed above

- (b) the proposed materials for Inter-MRF transfer are not excluded materials
- (c) as at the proposed start date of the transfer, no processing refund claim exists in relation to the material proposed to be transferred
- (d) the Sending and Receiving MRF operators can meet all the requirements outlined below in this Protocol
- (e) at the time of seeking approval, both the Sending MRF operator and Receiving MRF operator are eligible to claim processing refunds.

The Scheme Coordinator must notify the Sending MRF operator and Receiving MRF operator in writing of the result of its assessment within 10 business days of receiving the application and specify the timeframe for which the transfer is granted.

An approval will lapse at the end of the transfer period irrespective of whether the transfer has occurred. A MRF operator must obtain a new application for each inter-MRF transfer it seeks to make.

If the Scheme Coordinator refuses the application, it must provide a clear justification and reasoning for the refusal.

The MRF operators involved in the transfer are required to meet the following requirement before transferring the materials.

The Sending MRF operator must:

- (a) have obtained written approval from the Scheme Coordinator in accordance with this Protocol
- (b) have weighed and recorded incoming material to be transferred by source in a format required by the Scheme Coordinator
- (c) where possible, not unloaded material to be transferred. However, if unloaded, weigh before and after loading, record materials by source and keep all material for transfer quarantined from all other MRF and Non-claimable Material
- (d) have sent a copy of the Sending MRF operator's weighbridge records and source to the Receiving MRF operator.

The Receiving MRF operator must

- (a) acknowledge it understands its obligations in writing to the Scheme Coordinator.

Immediately on arrival of the transferred materials at the Receiving MRF, the Receiving MRF operator must:

- (a) weigh and record all transferred material from the Sending MRF operator (in a format required by the Scheme Coordinator)
- (b) record the approved Inter-MRF Transfer Scenario and the source of the transferred material
- (c) send a copy of the Receiving MRF operator's weighbridge records to the Sending MRF operator.

If the Scheme Coordinator approves the Inter-MRF Transfer and all of the requirements for undertaking the Inter-MRF Transfer are met, then the transferred materials can be claimed by the receiving MRF operator.

Each MRF operator (Sending or Receiving) undertaking an approved Inter-MRF transfer must provide access to the Scheme Coordinator, or Recycling Victoria, as requested, to conduct site inspections of any facility operated by the MRF operators in order to:

- (a) validate the reason for an Inter-MRF Transfer
- (b) inspect materials subject to an Inter-MRF Transfer claim

- (c) validate the appropriate segregation of such materials from other materials at the Sending and Receiving MRF
- (d) any other purpose deemed necessary to validate compliance with this section.

The Scheme Coordinator or Recycling Victoria will provide reasonable notice to the MRF operator before inspection.

22 Assurance

Assurance is supplied to participating parties through mandatory reporting and auditable record keeping. The Scheme Coordinator has the right to require an audit of a MRFs for assurance purposes in relation to the requirements of this protocol and *Recovery Agreement* at any time.

Participating parties may request an assurance audit through the Scheme Coordinator.

The recovery outcome is to be recorded by bill of lading, invoice and weighbridge receipt received from the operator of the lawful site recording the transaction of suitable eligible containers for the purpose of recovery. The Scheme Coordinator shall determine the reporting requirements to establish evidence of the recovery outcome.

Regular assurance audits will be conducted at the frequency stipulated in a by the Scheme Coordinator. The Scheme Coordinator may elect to conduct an assurance audit due to:

- irregularities in data or information that may indicate a breach of process or control and a potential for fraud or corruption,
- changes in process
- the introduction of new systems or technology by a MRF operator.

The Scheme Coordinator has the right to audit any aspect of the collection, sorting, storage, dispatch and recovery of suitable eligible container materials claimed for a refund to ensure the material is being recovered as it relates to the output material types containing suitable eligible containers.

The Scheme Coordinator shall have the right to conduct an audit itself or through a third party engaged on their behalf to review past claims, methods, systems and counting error.

Approved incurred costs must be documented in an auditable format that demonstrates the costs incurred were directly related to compliance with the Material Recovery Facilities Protocol, *Material Recovery Facilities Protocol Sampling Plan* and any *Recovery Agreement*. All approved incurred costs must be reported to the Scheme Coordinator within the reporting timeframes specified and where requested made available to Recycling Victoria.

All participating parties must comply with applicable local, state, and federal laws and regulations.

All participating parties collecting and storing data are to adhere to appropriate protocols related to data privacy and security, as required by the *Recovery Agreement*.

Participating parties will be required to retain records according to the *Recovery Agreement*. Members of staff and any representative of any participating parties must disclose any potential, perceived and actual conflicts of interest.

The reporting framework and assurance contained in the *Material Recovery Facilities Protocol* present the minimum fraud prevention measures. The Scheme Coordinator may implement additional reasonable fraud prevention measures as required to protect the objectives of this protocol and the general integrity of Victoria's Container Deposit Scheme.

The *Recovery Agreement* constitutes a confidential information sharing agreement between Participating Parties to that *Recovery Agreement* only. Participating Parties by default must not share any reported identifiable or sensitive information through compliance with the terms of a *Recovery Agreement*.

Provisions for regulation of participation in the Container Deposit Scheme are enabled through the *Circular Economy (Waste Reduction and Recycling) Act 2021* and subordinate tools.

Appendix 1

Facility Type	Description	Inputs	Output material types	Valid Recovery Agreement
Mixed stream material recovery facility	Primary materials sorting for municipal kerbside collection	Mixed and single stream material	Aluminium, glass, plastics (PET, HDPE and mixed), steel, liquid paper board	Yes
Glass beneficiation facility	Primary and secondary sorting for glass collected at kerbside	Single stream glass	Size and colour sorted glass cullet	Yes, for previously unclaimed material and subject to satisfying the requirements of the MRF definition in the CE Act.
Construction and demolition facility (aggregate sorting)	Primary and secondary sorting of glass for use in civil construction projects	Single stream glass	Particle size graded glass fines	Yes, for previously unclaimed material and subject to satisfying the requirements of the MRF definition in the CE Act.
Bottle crushing service provider	Primary acceptance of glass through a device that crushes glass for the purpose of recycling	Single stream glass	Mixed coloured glass, crushed to various size particles.	No, this service does not meet the definition of a MRF because the provider is not sorting or separating the material into component grades, nor are they prescribed to be a MRF. Benefit under the CDS could be received through a commercial agreement with a glass beneficiation facility. On a case by case basis Recycling Victoria will consider specific equipment installed by bottle crushing service providers where the device employed by the operators sorts or grades the material by size fraction (such as separation of glass fines from cullet >3mm in size) or where colour separation can be demonstrated.
Other facilities may satisfy the definition of a MRF as contained in the CE Act and therefore meet the requirements to validly enter into a <i>Recovery Agreement</i> with the Scheme Coordinator. These will be assessed on a case by case basis.				

