

For Immediate Release

## **Australia-listed sustainability specialist calls for a “carbon credit” system for plastics to reduce virgin and single plastics use**

- ASX-listed Security Matters Ltd (SMX) proposes an Alternative Circular Value Chain Approach (CVCA) system, which builds on the current carbon credits system and adapts to the plastics value chain
- SMX also proposes a regulatory approach for the entire value chain to preserve the market value of plastics and yield financial benefits
- The CVCA system combined with regulation will better incentivise producers to use recycled plastic materials instead of relying solely on virgin plastic materials

4 June 2020: Australia-listed tech company **Security Matters Limited (ASX:SMX)** (“SMX” or the “Company”) has proposed a whole value-chain approach for the plastics industry as an alternative to the current emphasis on end-product sustainability.

### **From Carbon Credits to Plastic Credits**

The Circular Value Chain Approach (CVCA) system, when implemented, will achieve the following:

1. A transition from the current open-ended regulatory approach to a closed-loop system by facilitating cross-industry dialogue.
2. The introduction of Plastic Credits to the market.
3. The trading of Plastic Credits between stakeholders is based on dollars and cents, and captures the economic benefits of the entire plastic value chain.

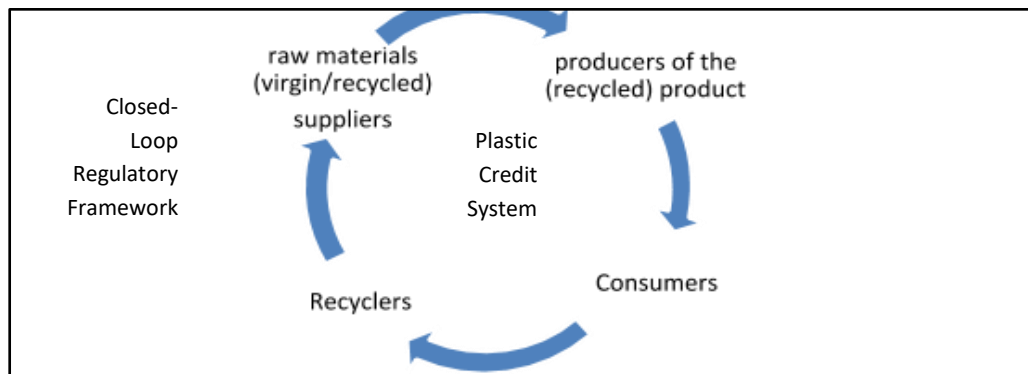
Looking at the entire value chain is important, notes Haggai Alon, SMX CEO & Founder, as this approach offers economic incentives for all stakeholders across the value chain and financially incentivises cooperation. “Such an approach is based on an expansion of the familiar idea of ‘carbon credits’, adjusted to the plastics value chain,” says Mr Alon.

In his White Paper detailing how the European Union’s regulation of plastic products has not succeeded in increasing plastics recycling, Mr Alon notes how the regulations have been focused on regulating end-products instead of the whole value chain.

SMX recently inked an agreement with plastic additive manufacturer BASF to develop solutions for plastics traceability and circularity. SMX’s technology enables physical and digital tracking of closed loop recycling, authenticates sustainability claims and improves the sorting of plastic waste. The partnership

leverages BASF’s extensive experience in plastic additives, regulatory know-how, and understanding of the plastics value chain. Under their joint development agreement, the partners will develop solutions to trace plastics from raw materials, production to distribution and circularity.

The CVCA system can be visualised as follows:



From an economic perspective, a regulatory approach focusing on the entire value chain will yield financial benefits by preserving the market value of plastics (more than 100 billion euros a year in the EU<sup>1</sup>). From an environmental perspective, it will encourage recycling and reduce the usage of virgin plastic materials in products, significantly reducing the plastic footprint and pollution.

SMX’s Mr Alon emphasised: “The CVCA system provides real financial benefits and incorporates closed-loop regulation that impacts all players in the plastics value chain. We are confident that this will achieve a true circular economy and greatly reduce the current reliance on virgin and single-use plastics. It will bring about sustainability in the true sense of the word.”

-END -

**For media enquiries, please contact:**

Sharon Cheah  
 Associate Director, Kreab Singapore  
 M: +65-96582942  
 E: [scheah@kreab.com](mailto:scheah@kreab.com)

---

<sup>1</sup> See Daniel Calleja, "Why the 'New Plastics Economy' must be a circular economy", Field Actions Science Reports (October 2019).

### **About Security Matters Limited**

Security Matters has commenced the commercialisation of its unique, patented technology that uses a hidden chemical-based 'barcode' to permanently and irrevocably 'mark' any object, be it solid, liquid or gas. The barcode is read using the company's unique 'reader' to access the corresponding stored data, recorded and protected using blockchain technology.

Founded in 2015, Security Matters Ltd (SMX) is an Israeli B2B white label tech company listed on the Australian Stock Exchange since October 2018. A brand protection, supply chain integrity and blockchain technology company, SMX has the unique capability to enable FMCG companies to permanently and irrevocably "mark" any object, be it solid, liquid or gas.

SMX's mark-and-trace technology puts in place the infrastructure that enables an Equilibrium Economy within any industry by offering an end-to-end service.



This provides manufacturers and retailers supply chain transparency, brand liability and overall cost savings by expediting the sorting and recycling process.

### **About the Circular Value Chain Approach Framework**

The CVCA, applied to the market for plastics through Plastic Credits, would operate according to the following framework:

- Plastic Credits will be required for every use of virgin plastic material in producing new products. Initial allowance of Plastic Credits, therefore, would be periodically allocated to the underlying industries to enable the initial production of new products with virgin plastic material once the Plastic Credits scheme kicks in.
- Producers with a greater need for virgin plastic materials would value such Plastic Credits more than producers who can switch away from virgin plastic to more sustainable alternatives. Consequently, the former would be able to trade Plastic Credits with the latter and establish a secondary market for such Plastic Credits.
- Additional Plastic Credits would be allocated when plastic materials are recycled and used in new products. Over time, the periodic allowances would be reduced as the total amount of available Plastic Credits in the secondary market reaches an optimal level.
- On a technological level, to govern the CVCA mechanism, it will be necessary to implement tracing capabilities within the plastic materials.
- Governmental grants and/or tax benefits are required to incentivise infrastructure investments to support transition of resources from virgin materials production to recovery and recycling technologies.