

Guide to Cutover Transition as DRS goes live



**Returning for
SCOTLAND**

Helping Producers, Retailers and Return Point Operators to plan and implement the transition to DRS

We have developed this Guide to highlight what Producers, Retailers and Return Point Operations should do to transition to the Deposit Return Scheme (DRS) in a timely manner for Go Live on 16 August 2023.

At the end of this guide you will find a glossary of terms relating to the DRS which you may find helpful.

We hope you find the guidance useful but if you have any questions our **Customer Service Team** will be happy to help. You can contact them on:

T: 0141 401 0899

E: enquiries@circularityscotland.com.



The Cutover Transition Process

What is Cutover?

The Cutover is the process of transitioning from current methods for drinks production, distribution and sale to those that will operate under the DRS Regulations from Go Live on 16th August 2023.

Why is the Cutover period important?

A well planned, smooth transition will help to minimise costs and cashflow issues for everyone involved. It will ensure that all participants in DRS comply with their new legal obligations for DRS. Most importantly, it will ensure that the right type and timing of support is provided to consumers so that they can be clear what they need to do as Cutover progresses.

Guidance within this document

Over the following pages we will describe the four key Cutover themes and provide guidance on how to address them:

1. Managing the production, stock and sale of the various types of products
2. Identifying when a deposit is and is not required
3. The use of consumer-facing logos
4. Planning and preparing for Cutover

Managing the production, stock and sale of the various types of products

1 Managing the production, stock and sale of the various types of products

In terms of timing, Cutover starts at the point when producers begin to change their existing production methods to accommodate the DRS. This could include the ramp down of existing product reserves and the commencement of NEAN production ready for sale. Significant milestones during the Cutover phase include:

- **16 July 2023**
 - The date after which NEAN can be sold by producers
- **16 August 2023**
 - Go Live – the date when the legislation comes into force
- **A date after Go Live**
 - When a producer sells their last OEAN and commences sales of the associated NEAN

Managing NEANs and OEANs

To put NEANs and OEANs into context:

- ✓ If a producer decides to introduce a new SKU (in Scotland or the wider UK) to replace a given existing scheme article, old stock of that existing scheme article will still exist - such old stock articles are OEANs
- ✓ A producer cannot sell NEANs onto the market any earlier than one month before Go Live (i.e. they can't leave the producer factory gate earlier than one month before Go Live otherwise they will be categorised as Retained EANS (REANs))
- ✓ OEANs are not scheme articles. As such there is no deposit on the sale or redemption of OEANs
- ✓ The producer fee/deposit is charged on the actual volume produced (and reported to Circularity Scotland) of NEANs placed on the Scottish market
 - ✓ For NEAN(S) this will be all production of that NEAN(S)
 - ✓ For NEAN(UK) it will be all the volume destined for Scotland (including any sold before go live)

1 Managing the production, stock and sale of the various types of products

Ideally (to support consumer adoption of DRS) producers should aim to land NEANs on shelves as close to Go Live (16 August 2023) as possible. Retailers will need to ensure that shelf marking and deposit display signage align to NEAN and OEAN articles (showing whether or not they are scheme articles and highlighting if a deposit is due).

Remember:

- ✓ All parties can continue to sell on OEANs that were produced prior to Go Live
- ✓ OEANs produced after Go Live cannot be sold in Scotland
- ✓ OEAN volumes for high volume/fast moving products will reduce significantly within a few weeks
- ✓ Slower moving OEAN products could be on the shelf for several months – retailers will need to continue identifying these products as non-scheme articles. If more convenient, they could divert this stock for sale in England and Wales

Managing REANs

With regard to REANs remember that:

- ✓ the producer has decided to continue to sell the existing SKUs (Scotland-only or UK-wide) in Scotland
- ✓ for UK REANs the same product (like all UK EANs) is sold in St Albans and St Andrews – hence the Producer Fee surcharge to cover the risk of undeclared containers being redeemed in Scotland for the deposit
- ✓ the same product exists in the supply chain pre-Go Live – hence the Day 1 REAN payment to cover deposit redemption for those items which have not been sold with a deposit

As we approach Go Live it is important to note that stock in the supply chain for which no deposit has been paid by the producer/wholesaler /retailer is **NOT** a scheme article.

Therefore the non-scheme article must be described as such and no deposit can be charged by any company in the supply chain.

1 Managing the production, stock and sale of the various types of products

Clearly, this situation could be confusing for a consumer and could also be difficult for wholesalers, retailers and hospitality providers to manage.

Therefore, wherever it is possible, producers and wholesalers/retailers /hospitality providers should come to an agreement to convert such REANs in the supply chain before Go Live, into scheme articles. The process is as follows:

- ✓ the process must start with the producer wanting to make the conversion – this comes back to the regulations indicating it is producer intent which supports a scheme article being formed
- ✓ the producer and the associated wholesaler, retailer or hospitality provider (i.e. any direct customer of the producer) must agree to convert a defined volume of REANs to scheme articles. The wholesaler, retailer or hospitality provider must pay the correct amount of deposit to the producer, and ensure that the relevant invoices etc. show that a deposit has been paid
- ✓ the wholesaler/retailer must now legitimately charge a deposit on these goods, and must ensure that these goods are displayed as scheme articles
- ✓ if the total volume of products converted exceeds the volume used in the Day 1 REAN payment, the producer must inform Circularity Scotland of the difference above that figure and pay the deposit and appropriate producer fee for that difference

In order to ensure UK REANs are managed appropriately, producers should conduct risk assessments, and then put plans in place to help all players differentiate UK REANs as scheme articles or not. Possible outcomes include:

- creating controlled distribution channels
- adjusting invoices to highlight the deposit paid
- obtaining reports from wholesalers











The process above for converting REANs may also be used by a producer to recover their deposit when selling an NEAN before go live. An NEAN sold before go live without a deposit is not a scheme article.

Producers should be prepared to create a NEAN if, despite the mitigations developed, the risk of non-compliance for that UK REAN is deemed to be too high.

Details of this process are contained as a requirement within the Producer Agreement, and additional guidance has been prepared.

1 Managing the production, stock and sale of the various types of products

Figure 1: SKU Types Pre-Go Live and Post-Go Live

SKU Type	Go Live 16 August 2023	Post Go Live	Scheme Article
Existing UK SKU 	→	 REAN	✓
Existing Scottish SKU 	→	 REAN	✓
New UK SKU 	→	 NEAN	✓
		 OEAN	✗
New Scottish SKU 	→	 NEAN	✓
		 OEAN	✗

KEY:

REAN - Retained EAN

NEAN - New EAN

OEAN - OLD EANs

Identifying when a deposit is and is not required

2 Identifying when a deposit is and is not required

The regulations require anyone selling a scheme article to display the value of the deposit and to charge that deposit when selling the item.

In determining if the display of a deposit is or is not required, wholesalers and retailers should first assure themselves that the item is either a scheme article or a non-scheme article.

If in purchasing the item they have paid a deposit, then the item is a scheme article, but further assurance should be available from the invoice used to trade the items.

If it is a scheme article, producers/wholesalers/retailers must:

- ✓ state that the item is a scheme article where that item is presented for sale
- ✓ highlight that the 20p deposit is chargeable – for example via shelf edge labelling

Please Note- *The display of the deposit on Price Marked Packs, and the application of the deposit to the price/volume on shelf edge labelling is still under discussion between Scottish Government, SEPA and Trading Standards. This guide will be updated once a final determination has been announced.*

If the item is a non-scheme article then it must be identified as such where it is displayed for sale.

Upon return of scheme articles – producers must pay out the deposit for all scheme articles. Because of the use of the same barcode for UK SKUs in and outside of Scotland return points will likely pay out for REANs which are not scheme articles.

This highlights the value in producers and wholesalers/retailers reaching agreement to convert those REANs in the supply chain to scheme articles before Go Live.

The use of logos



3 The use of logos

Producers are strongly encouraged to incorporate the DRS container logo issued and approved by Circularity Scotland at Go Live. A key part of our scheme brand identity, the container logo is designed to be clear and accessible to all - a clear symbol that instantly explains what the scheme does.

There are two variants of the DRS logo, with and without 'Scotland only'. These words must always be included if the SKU is to be sold outwith Scotland. For SKUs that are only sold in Scotland, it is not required to have this wording.



For Scottish only SKUs, other anti-littering or recycling logos should be removed to help customers be clear that they should return the container and not throw it in a litter bin.

For UK-wide SKUs, existing anti-littering and recycling logos can be retained to support that different message outside Scotland.

Guidelines for the use of the DRS container logo are available to download from Circularity Scotland's website:

<https://circularityscotland.com/deposit-return-scheme/marketing-toolkits>

In addition to the DRS container logo, a DRS brand logo is also available. This DRS brand logo, which acts as a badge of accreditation and participation in the scheme, is for use on all communications to help customers, stakeholders, members and partners recognise involvement in the scheme. This logo can be used in a variety of ways to promote DRS and support its introduction - for example on websites and social media, point-of-sale, outer-wrapping and packaging, RVMs, shelf edge labelling and aisle labelling. To request the DRS brand logo and the guidelines relating to its use please email marketing@circularityscotland.com

Cutover Preparation and Planning

4 Cutover planning and preparation

In order to ensure a smooth transition, it is essential to carefully plan for the Cutover period. We have outlined below the key steps producers, wholesalers/retailers and return point operators should take to prepare.

Producers

- ✓ Assign a lead individual or team to learn about the DRS and to 'own' it
- ✓ Assess your product range by SKU/categories, conduct a risk assessment and make key decisions regarding REAN or NEAN
- ✓ Inform your supply chain as soon as possible about your intentions for any changes to product mix or volume, so they in turn can prepare
- ✓ Establish agreement/processes with wholesalers and retailers to convert any pre-Live REANs to scheme articles by charging the deposit

Wholesalers/Retailers/Hospitality Providers

- ✓ Assign a lead individual or team to learn about the DRS and to 'own' it
- ✓ Work with producers to consider converting any pre-Live REANs to scheme articles by charging the deposit
- ✓ Consider inbound invoicing/stock management. How will you manage and store the different types of EANs? Do your existing systems and processes need to be changed to cope with the DRS?
- ✓ Shelf management – consider how will you support consumer purchasing whilst complying with the regulations

Return Point Operators

Most of the preparation to set up as an RPO covers the Cutover period, as well as operating after the scheme is live. As above, the key activity you should undertake is:

- ✓ Assign a lead individual or team to learn about the DRS and to 'own' it
- ✓ For closed loop hospitality, consider how you will deal with bulk glass collection (more specific guidance will be issued on this topic)

Glossary



Glossary

Cutover

This is the general term used to describe the timing and process for transitioning from pre-DRS to post-DRS.

Go Live

The 16 August 2023 is the date for Go Live when the Deposit Return Scheme legislation comes into force.

NEAN (New EAN)

The EAN barcodes of products introduced - to be used on or close to Go Live date as new products, or superseding existing SKUs, which will no longer be supplied into Scotland. These codes will be split into two subsets – Scottish specific and UK wide. A NEAN may only be Placed on the Market by the producer no earlier than one month prior to Go Live date (otherwise they are considered as REAN).



REAN (Retained EAN)

The EAN barcodes of existing products which will not be changed following Go Live and which will become scheme articles. These codes will be split into two subsets – Scottish specific and UK wide. These SKUs will also be subject to a Day 1 REAN Payment to cover the deposit and Producer Fee for those items already in the market at Go Live and returned subsequent to Go Live for deposit redemption.



Glossary

Scottish Only SKU

A Scottish Only SKU refers to where a separate EAN code is allocated to products sold ONLY in Scotland and on which a Producer Fee and deposit will be charged. They should not be sold outside Scotland – any such sales will attract the payment of a Producer Fee and deposit to Circularity Scotland. In most cases it will be a NEAN (where the new Scottish SKU is introduced for the commencement of the scheme) but it could also be a REAN (where a producer already has a product sold exclusively in Scotland).



UK Wide SKU

A UK wide SKU refers to EAN codes used for scheme articles which are also sold elsewhere in the UK and not solely in Scotland. UK wide SKUs will attract a Producer Fee surcharge to reflect the potential risk of non-Scottish product being returned for redemption. Producers will be required to implement control procedures to ensure they have records to indicate compliance with the reporting of sales of scheme articles (i.e. those intended for the purpose of retail sale in Scotland). Producers of UK wide SKUs are required to undertake an assessment for each such SKU with regard to the risk of these SKUs being diverted from the rest of the UK into Scotland without the payment of a deposit. A UK wide SKU could be a REAN (where the producer makes no change to the coding of an existing product) or a NEAN (where the producer decides to allocate a new EAN code to the new or current product at the point when the scheme goes live).



Glossary

‘Placed on the Market’

SEPA have defined this term as:

‘placing on the market’ means the holding of food or feed for the purpose of sale, including offering for sale or any other form of transfer, whether free of charge or not, and the sale, distribution, and other forms of transfer themselves’

Circularity Scotland’s complementary interpretation of this definition is that any article which could give rise to a deposit redemption, is a scheme article and must be included within a producer’s statement of ‘placed on the market’.

This will include:

- Free issues, gifts, charitable donations
- Free issues given on closed loop establishments
- Donations to food banks

‘Placed on the market’ excludes articles which are destroyed and so won’t be available for redemption (e.g. production rejects, product recalls). Material from such processes should be managed as waste under existing processes.

Thank you

For more information visit:
circularityscotland.com



Returning for
SCOTLAND