



# Circularity Scotland Deposit Return Scheme

Explaining the Producer Fee, Charges and Invoicing

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# A. What is a Producer Fee and how is calculated

# What is the Producer Fee

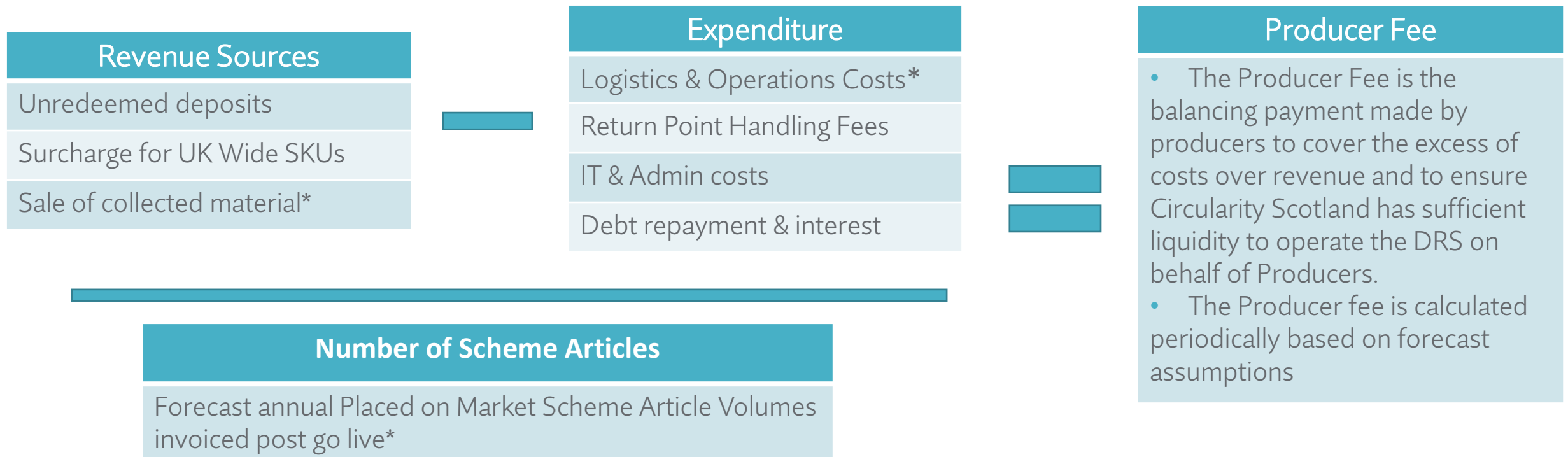
- The Producer Fee (PF) is the payment made by producers to ensure Circularity Scotland has sufficient revenue to cover its operating costs and maintain a small operating contingency.
- A per unit PF is charged (and where applicable a UK Wide Surcharge); this is common to all producers irrespective of volume placed onto the market.
- The same PF will apply to all SKU sizes but will vary by material type.
- For the relevant materials defined in the Regulations, Circularity Scotland will charge a PF for scheme articles constructed from:
  - PET Plastic i.e. Polyethylene Terephthalate
  - Steel or Aluminium
  - Glass
- The PF is a separate charge to the Placed on Market deposit (set as 20p within the Regulations).
- The PF is also separate to the other charges (see DRS Additional Charges).

# The Principles of the Producer Fee

- Circularity Scotland operates on a not-for-profit basis.
- The premise of our accounting process is that there is allocation of income and costs by material type where possible. There are 3 elements to the PF calculation which vary by material type:
  - Sale of recyclate material (linked to market indices)
  - Logistics & operations costs
  - Forecast invoiced number of containers
- All other income and costs are allocated equally by container.
- Circularity Scotland has three income streams – sale of materials, unredeemed deposits and producer fee. The third income stream – the producer fee (PF) - is calculated to make up the shortfall between the operating costs and other income.
- Some of the unredeemed deposits in first period of operation are used to offset the mobilisation costs and also creates a small operating reserve to preserve the liquidity and stability of the scheme operation at go live.
- The PF per unit will be common to all producers irrespective of volume placed on the market. It will be calculated periodically and will subsequently be based on data gathered from experience of operating the DRS.
- Any variance arising from inaccuracies in the issued estimates will be carried into the following period (subject to a continuous review).

# PRODUCER FEE APPROACH & CALCULATION

Reminder that Circularity Scotland is a not for profit organisation, limited by guarantee



\*varies by material type

## PRODUCER FEE APPROACH & CALCULATION: REVENUE

| Revenue Sources            | Economic Landscape/ Assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unredeemed Deposits        | <ul style="list-style-type: none"><li>• Circularity Scotland will charge a 20p deposit to all producers based on their 'self declared' PoM volumes of Scheme Articles in Scotland</li><li>• The financial forecast assumes 2.85bn Placed on Market (PoM) Scheme Articles</li><li>• The unredeemed deposits are factored as a revenue stream – thus lowering the producer fee.</li><li>• Some of the unredeemed deposits in first period of operation are used to offset the mobilisation costs and also creates a small operating reserve to preserve the liquidity and stability of the scheme operation at go live.</li></ul> |
| Surcharge for UK Wide SKUs | <ul style="list-style-type: none"><li>• A surcharge is applied to UK Wide SKUs to cover the risk of 'cross border' returns into Scotland of material which was not reported as 'PoM' in Scotland and on which a consumer can legitimately claim a deposit on redemption</li><li>• This is charged on all UK Wide SKU PoM volumes in Scotland declared by producers</li></ul>                                                                                                                                                                                                                                                    |
| Sale of collected material | <ul style="list-style-type: none"><li>• Sales value per tonne of collected material is based on industry based indices, which can be volatile. Our financial modelling currently assumes the following sale prices achieved by material:<ul style="list-style-type: none"><li>• PET £500 per tonne</li><li>• Aluminum £1,250 per tonne</li><li>• Glass £10 per tonne</li></ul></li></ul>                                                                                                                                                                                                                                        |

## PRODUCER FEE APPROACH & CALCULATION: EXPENDITURE

| Expenditure                  | Economic Landscape/ Assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Logistics & Operations Costs | <ul style="list-style-type: none"> <li>Biffa have been appointed as Logistics &amp; Operations Provider and are funding all capital investment and operating costs ahead of go live</li> <li>Logistics costs are based on their estimate of Year 1 operating costs, scheme article volumes/ RPO / redemption/inflation assumptions as well as fixed costs</li> </ul>                                                                                                                                                                                                                                  |
| Return Point Handling Fees   | <ul style="list-style-type: none"> <li>Calculation of the RHF followed a prescribed process conducted by a 3<sup>rd</sup> party &amp; has been communicated</li> <li>We have made assumptions in the model regarding the proportion of volumes being returned through Manual/ RVM/ Open Loop &amp; Closed Loop hospitality/ Online Take Back</li> <li>The legislation requires distance sale retailers to operate Online Take Back. Industry have not yet prescribed a solution for how Online take back will work. Model assumes an Online Take Back for RHF in line with Manual RPO RHF.</li> </ul> |
| IT & Admin costs             | <ul style="list-style-type: none"> <li>RLG have been appointed as IT partners and are funding IT investment in DRS which will be delivered as SaaS solution.</li> <li>Admin &amp; Marketing costs have been estimated for Circularity Scotland. In steady state Circularity Scotland will operate with c 50 FTE staff and contractors</li> </ul>                                                                                                                                                                                                                                                      |
| Funding costs                | <p>Funding secured for pre go live activity which will be repaid post go live:</p> <ul style="list-style-type: none"> <li>Initial debt funding of £5m provided by some producers</li> <li>Further £18m debt funding secured from a joint funding agreement from Scottish National Investment Bank and Lloyds</li> <li>Post go live interest is funded by the Producer Fee</li> </ul>                                                                                                                                                                                                                  |



B. What is the Producer Fee and what has changed since the August publication?

# Update to the Producer Fee

- Our objective is to deliver a fair and proportionate producer fee that reflects the cost to operate the DRS Scheme. We aim to provide as much certainty as possible to Producers through a stable fee that does not fluctuate materially year on year. This is against a backdrop of the first year of operation, when the fee is modelled on assumptions.

## What has changed?

- In August 2022 Circularity Scotland briefed producers on the proposed forecast fee for the first year of scheme operation. Following the Government's revised approach to RPO exemptions, we wanted to reassess how this affected the estimated size of the collection estate. We also wanted to better reflect the specific costs associated with each material type in the Producer Fee at registration launch.
- Additionally, we recognised the concerns expressed by industry regarding the level of the Producer Fee so we worked to reduce the cost burden for all producers. This included the Day 1 charges to protect Circularity Scotland's liquidity position upon launch. We recognise the proposals set out provided a cashflow challenge to producers, and as such Circularity Scotland have reconsidered the positioning of the charges.

# What does this mean for Producer Fees / Charges

We have revisited the Producer Fee taking account of the change in landscape and reassessed our charges and charging mechanisms. In summary we have:

- All Producer Fees are reduced – with a significant reduction in plastic and aluminum.
- Delivered an alternative solution to the cashflow requirements faced at scheme launch. Accordingly we have revised the Day 1 REAN charging process, reducing the proposed charge from 2.4 month's sales to 3 week's sales.
- Reduced the Month 1 invoice payment from 4 weeks to 3 weeks of sales.
- Apportioned our logistics costs to the Producer Fee by material type. This ensures that the Producer Fee by material reflects the costs that contribute to its composition. This reflects the requirement contained in our Membership Agreement to avoid cross subsidisation between materials.

In addition we are working with our logistics partner to future review the cost base following the Scottish Government's announcement of the revised RPO exemption approach.

Circularity Scotland will continue to work on initiatives to further reduce the cashflow impact of the scheme on producers and reduce the cost of operating the scheme. We will update industry in due course.

# Producer Fee Summary

- The revised producer fees are as follows:

| Producer Fee                  | Previous Value<br>(August 2022) | Updated Value<br>(December 2022) |
|-------------------------------|---------------------------------|----------------------------------|
| <b>STANDARD CHARGES</b>       |                                 |                                  |
| Plastic                       | 3.17p                           | 2.21p                            |
| Aluminium / Steel             | 3.42p                           | 2.03p                            |
| Glass                         | 4.45p                           | 4.10p                            |
| UK Surcharge (UK SKUs only)   | 1.133p                          | 1.133p                           |
| <b>DRS ADDITIONAL CHARGES</b> |                                 |                                  |
| Day 1 REAN Payment            | 2.4 month's forecast PoM        | 3 weeks forecast PoM             |
| Month 1 Invoice Payment       | 4 weeks forecast PoM            | 3 weeks forecast PoM             |

# FAQs: Changes to the Producer Fee

## Q. Why have you revised the Day 1 REAN Payment charge?

A: When we published the producer fee in August, we were looking at ways in which to protect the liquidity of the Scheme at go live. Feedback from industry on the charges we proposed for "Day 1" was that this provided cashflow issues for producers. Circularity Scotland has responded to this challenge.

## Q. Why is there less of a reduction in the PF for glass compared to other material types?

A: Our original modelling did not allocate the logistics costs by material. We have now performed more detailed analysis with our logistics partner. The cost of glass collection and transportation is more expensive per item of scheme packaging due to the volume and weight of the material.

In addition, glass recycle is worth significantly less than PET and aluminium, hence the glass fee is higher as fewer costs are recovered through the sale of glass.

## Q: Will the Producer Fee change again before go live?

A: The producer fee for Year 1 is based on assumptions on the return rates and the costs to operate the scheme. We will keep the fee under regular review to ensure that the most up to date information is factored into the fee. If there is a material change in assumptions then the producer fee may need to change.

## Q: Will Circularity Scotland charge a Supplementary PF?

The Producer Fee is calculated in advance of the financial year to which it applies and is based on best available information of forecast operating costs and operating parameters. Whilst we are designing the Scheme, its fees and cashflows to be resilient - in extreme circumstances it may become necessary to charge a supplementary PF to ensure we can effectively operate the Scheme.

# FAQs: Changes to the Producer Fee

**Q: What are the expected redemption rates in the scheme?**

A: The legislation requires the Scheme, over time, to deliver a 90% redemption rate. Circularity Scotland anticipates a lower rate than this being achieved in the first year. The surplus generated by this will be used to offset the mobilization costs incurred before the scheme goes live and create an appropriate level of provision / operating reserve to protect the liquidity and stability of the scheme.

**Q: If the redemption rate is significantly different than expected, will the Producer Fee change?**

A: Circularity Scotland are trying to deliver a smooth year on year Producer Fee to assist financial forecast planning by producers. We are a not-for profit organisation so if redemption rate is different than expected, the effect of this will be factored into the Producer Fee calculation in subsequent years.

**Q: How have the resale values of materials been calculated?**

A: Circularity Scotland has based its calculations using market indices. The calculations take into account the volume of items returned and this is priced per tonne. These prices can vary substantially and may lead to some changes to the Producer Fees over time.

# What is the Producer Fee – Placed on Market

- The PF is calculated based on the Placed on Market figure declared by producers. On a monthly basis (or periodic for non-monthly accounting), producers are required to declare the actual PoM volumes for the prior month. This PoM declaration is provided at EAN level.
- The PoM figure should be an accurate statement of the number of scheme articles that were made available in Scotland or intended for sale in Scotland.
- The PoM number includes all Scheme Articles placed on the market whether sold or issued for any other purposes and which may give rise to a deposit redemption. This includes, but is not limited to:
  - Normal Sales inc. sales under bond\*
  - Sponsorship
  - Freeloaders
  - Gifts
  - Promotions
  - Charity Donations
  - Stock Shrinkage
- \* where sales under bond are specifically for export outside of the UK they may be excluded from PoM, however the producer must ensure they have conclusive evidence of export from the customer.
- For UK wide items the PoM figure should be validated in accordance with the processes identified as part of the initial risk assessment for that item.
- **Section F sets out the definitions of the classifications of EANs**

# FAQs: Placed on Market

**Q: When does the liability to pay the deposit arise (Scottish EANs)?**

A: We have defined the point of billing as the point at which the producer issues a scheme article in accordance with the PoM definitions (see previous slide) or when one of the non-billed occurrences arise. This should be the same time the producer raises an invoice to its customer – this invoice will include a charge for the deposit.

**Q: When does the liability to pay the deposit arise (UK EANs)?**

A: A UK EAN is one that available for sale in other areas of the UK. Circularity Scotland issued guidance on UK SKUs which is contained within Policy Paper 4 of the producer agreement.

**Q: How will UK manufacturers know if stock is sold on for use in Scotland?**

A: Under the legislation, the producer is responsible for demonstrating control and reporting of the Placed on Market volumes. You may wish to consider the establishment of new reporting arrangements with your supply chain, to improve the accuracy of PoM reports you issue to us.

**Q: For retail owned brands (i.e. Own Label) who will be responsible for reporting and paying the Producer Fee? Is it the manufacturer or retailer brand owner?**

A: The regulations are clear that the brand owner is deemed to be the producer so is therefore responsible for reporting Placed on Market figures and paying deposits and Producer Fees.

**Q: Will producers provide the PoM data and then Circularity Scotland will invoice the producer for payment?**

A: We have included the detail on the invoicing cycle in this pack – showing the date that PoM should be declared, the date of invoice and the date of payment – dependent on the periodic accounting that a producer might follow. The PoM will be supplied to Circularity Scotland electronically and we will raise an invoice for the cost of the Producer Fee, deposits and where applicable the charge on the UK-wide surcharge.

**Q: Do overseas producers have to register with Circularity Scotland or is this down to the distributor in the UK to register?**

A: The regulations define the producer for a brand owner outside the UK as the importer. If you import goods into the UK to be sold in Scotland, you are classed as the producer and will have to register as such and pay deposits and producer fees.



# FAQs: Placed on Market

**Q: Can adjustments be made to PoM figures in the subsequent month owing to shrinkages?**

A: PoM should be considered as any product that has been labelled that could be returned for a deposit redemption. Producers may adjust for items that have been destroyed, such as products that were recalled, provided there is evidence of this.

**Q. Do retailers also have to show their PoM figures on Circularity Scotland portal on a monthly basis? If not, is there a mechanism to inform the suppliers?**

A: Only producers are required to report PoM. Retailers will only report PoM for articles for which they are the producer e.g. own label, imports etc. Any communication between retailer and producer is purely a commercial matter. PoM figures can be uploaded via file.

The PoM figures will be reported in line with the accounting periods, on the basis that this is in line with the business having a process to generate reports, including sales, in line with the accounting timetable. This is the only rationale for offering a periodic calendar option. If a producer on a periodic accounting timetable wishes to report calendar monthly for convenience they just select monthly accounting at registration.

**Q: How do online retailers know when to charge a deposit to customers if they sell to the whole of the UK? How would they apply the deposit on an online website from a practical point of view?**

A: If an online retailer is sending goods to an address in Scotland, the 20p deposit should be applied. The customer must be made aware of the deposit charge for deliveries to Scottish addresses at the point of selection. We recommend that sales invoices clearly show that a deposit has been charged.

# FAQs: Placed on Market

**Q: Many producers predominantly sell in the UK, and others – like wholesalers – make the decision on onward sale of their products to customers in Scotland. How can these producers accurately charge a deposit at point of invoice given the lack of visibility of where the supply goes?**

A: We have developed some options to provide support here – but the obligation remains with the **producer** to declare an accurate figure for PoM in Scotland:

1. The purchaser (wholesaler) is clear at the point of purchase about selling into Scotland – a deposit would be paid for those products and recorded by the producer as PoM
2. Arrange for wholesalers to whom the producer sells, to provide information on the end destination of sale where there is no immediate intent to sell into Scotland. Producers can update the previous month's PoM (via a true up with Circularity Scotland) using new data. A deposit and PF is payable for these additional scheme articles
3. Assess PoM on the basis of a Scottish delivery address – but again with the requirement to true-up with Circularity Scotland the following month if additional data is received.

4. Rely on a retailer (when selling into their depot responsible for Scottish sales) to provide data on how many were actually sold in Scotland. The retailer must pay the deposit to the producer for these items, and the producer must pay the deposit and the PF to Circularity Scotland for these items.

# UK Wide SKUs - Surcharge

- A UK wide SKU relates to EAN codes used for Scheme Articles which are also sold elsewhere in the UK and not solely in Scotland. A UK REAN and a UK NEAN are examples of UK Wide SKUs.
- UK-wide SKUs are open to fraud, both intentional and accidental, where items may be sold to a wholesaler outside of Scotland, therefore no deposit is paid, but could then be sold on to a retailer in Scotland.
- To reflect the direct risk associated with the use of UK wide SKUs Circularity Scotland will apply a surcharge to each UK wide SKU PoM volume declared by producers.
- The surcharge in Year 1 will be set at 5% of deposit value and weighted retail handling fee (RHF). The surcharge is on ALL UK-wide SKU PoM in Scotland. the figure is set at 1.133p per unit for Year 1
- This 5% 'over redemption' risk will be reviewed during Year 1 and will be adjusted in subsequent years in line with actual experience.
- In making the decision to maintain a UK wide SKU, producers also recognise that Circularity Scotland has the ability to raise an invoice to Producers for all instances where the redemption rate exceeds 100% and that they are required to pay for this liability. Circularity Scotland systems will generate the records which will automatically create and issue the invoice.
- These records can be supplied to producers to allow them to investigate the cause of the breach of threshold.
- Producers have the responsibility of maintaining comprehensive records and audit trails of where stock sold is to be made available for sale.
- Producers of UK wide SKUs are required to undertake an assessment for each such SKU relating to the risk of these SKUs being diverted from the rest of the UK into Scotland without the payment of a deposit.
- Producers are also required to implement an associated mitigation plan to minimise any identified risks.

# FAQs: UK Surcharge

## Q: For which EANs is this applicable

A: This UK wide surcharge only applies to UK SKUs - REAN (UK) and NEAN (UK)

## Q: How is the surcharge calculated?

A: The surcharge is in addition to the Producer Fee. It is calculated at 5% of the [weighted average return handling fee + deposit]. This derives a charge of 1.133p.

## Q: How will the UK Surcharge be billed?

A: The PF, deposit and UK surcharge will be invoiced on a monthly basis (or periodic) on one invoice. The invoice will set out these charges and any applicable VAT on each.

## Q: Does the UK Surcharge cover the risk of fraud in the scheme?

A: Partly. Circularity Scotland will monitor the return rates across a variety of indicators across the scheme. Should PoM volumes appear to be under reported against return rates, Circularity will invoice producers for deposits and fees. We are building fraud controls and preventions across the scheme and this will be under regular review.

## Q: If there is not enough scale for a producer to have a Scottish only SKU, how can we invoice a national retailer if we don't know how much will be sold on in Scotland?

A. This is a challenge of operating a UK wide SKU. This has been raised by a number of producers and it is our understanding that many retailers are prepared to provide some data upstream to producers to give an indication of what is sold in Scotland.

Circularity Scotland will offer a true up facility where you can retrospectively update with actual Placed on Market volumes.

## C. What Additional Charges are there?

# Day 1 REAN Payment

- The Day 1 REAN Payment is specific to the go live of the DRS Scheme.
- If producers choose to continue to use existing SKU (REAN) they create a Day 1 risk to the scheme whereby items might be redeemed for which no deposit was paid. With the use of REANs there is no capability for the Return Point Operator and Circularity Scotland to identify whether an individual article was sold before or after go live
- There will be stock in the supply chain, on shop shelves and consumers may stockpile articles prior to go live, here the packaging can be returned for a deposit, but on which no deposit or producer fee has been paid.
- This payment covers Circularity Scotland's liability for deposit redemption, retail handling fees and collection costs for such items which can now be redeemed by consumers but on which no deposit or Producer Fee has been paid.
- We will raise a charge that reflects this and this charge applies to Retained EANs (REAN).
- The charge is calculated as the average of three weeks of annual forecasted REAN sales. It is not possible to determine absolutely the quantum of articles which will be redeemed as no PoM data is collected pre go live and with REANs there is no way to determine the date of sale from the packaging.
- We will raise an initial Day 1 REAN Payment (being the applicable producer fees including any relevant UK Surcharge and Deposit).
- Post go live we will be able to determine which of these REANs are being redeemed at a higher rate than comparable NEANs. We will do this on day 90 (and days 180 and 270).
- Should there be a shortfall, Circularity Scotland will raise an additional invoice.

# FAQs: Day 1 REAN Payment

**Q: When will Circularity Scotland invoice the Day 1 REAN Payment?**

A: On the 16th July 2023, payable on the 16th of August 2023

**Q: Why is the invoice raised before the scheme goes live?**

A: Circularity Scotland is at its highest risk of cashflow shortfall at scheme launch.

**Q. How will Circularity Scotland obtain the information to raise the Day 1 REAN Payment?**

This information will be based on three weeks average forecast annual sales.

**Q. Why you have revised the Day 1 REAN Payment to 3 weeks sales?**

A: We listened to the concerns of industry that the original proposed 2.4 months sales placed on their cashflow. We have reassessed the way in which Circularity Scotland can mitigate the DRS cashflow risk.

**Q: Does the Day 1 REAN Payment also include the UK Surcharge?**

A: Yes.

# Month 1 Invoicing

- Cashflow shortfall is one of Circularity Scotland's biggest operational risks – particularly during the early months of scheme operation. The full review of the financial/commercial elements of the scheme focused on this area and considered the risk in the light of the changes to the scheme operations as a result of the revised exemption approach, and revision of some of the financial model assumptions.
- One of the mitigations we will use is the Month 1 Invoice. The Month 1 Invoice is a one off charge that is designed to cover Circularity Scotland's initial liability for deposit redemption, retail handling fees and collection costs for Scheme Articles which immediately after Go-Live will start to be redeemed by consumers, for which no deposit or Producer Fee has yet been paid.
- This invoice will seek payment of 3 weeks annualised production for each registered scheme article. '3 weeks' will be calculated as  $21/365$  of the annual production for each EAN.
- It will be taken by direct debit on 31st August 2023 for monthly accounting producers and at the end of the first accounting period for those on alternative accounting calendars.
- The Month 1 Invoice is a one off charge, it is not a loan.
- After Go- Live, the income and associated liabilities of Circularity Scotland during the first year of operation of the deposit return scheme will be reviewed by Circularity Scotland.
- This review will be done by 31st October 2024. This will ensure that Circularity Scotland has a full year of PoM data, including August 2024.
- Circularity Scotland will seek to rebate Producers for the Month 1 charge after conducting this review. Any rebate will be calculated on a Producer by Producer basis to ensure one producer is not subsidising another.
- Our review will consider whether redemption rates are in line with those declared by Producers. Provided these are in line with expectation (measured against similar products and within a 5% tolerance), Circularity Scotland will automatically rebate the Month 1 invoice to the producer.
- Where the redemption rates are greater than 5% of the redemption rate for similar EANs, Circularity Scotland will carry out a further review.



# FAQs: Month 1 Invoicing

## Q: Why is the charge based on 3 weeks

A: Our review has reconsidered the cash requirements of the business and also looked at other sources of cash in the early period of operation. The reduced value of 3 weeks (with payment now delayed until 31 August 2023) is determined to be suitable to meet the current estimated view. We will continue to review this area as we approach go live.

## Q: Will there be an exemption for smaller producers?

A: We are well aware of the financial challenges facing all businesses – particularly smaller ones. We do need to be fair to all producers but will continue to look at other ways of providing support. The Month 1 Invoice is based on volume so it does reflect the size of producers.

## Q: How will Circularity determine if the full Month 1 invoice is to be rebated?

Circularity Scotland will review actual redemption rates and make a rebated of the Month 1 invoice by the 31st of October 2024. This rebate is conditional on the redemption rates for each EAN being within a 5% tolerance of a similar suite of EANs / products.

Where the redemption rates are outside this 5% tolerance of the redemption rate for similar EANs, Circularity Scotland will carry out a further review to investigate. Our aim is to rebate the Month 1 invoice subject to ensuring that the objectives of the deposit return scheme continue to be met.

## Q: When will this rebate be made?

By 31st October 2024.

# OEAN Payment

- The OEAN Payment will only be incurred in the event of a significant cashflow deficit in the early months.

OEANs are mainly the outcome from the creation of a new Scottish or UK EAN. An OEAN is not a scheme article – no deposit is paid, no deposit is redeemed, and the producer does not register these SKUs as Placed on Market.

- SEPA have declared that any OEAN produced before 16 August 2023 can be sold through in Scotland from 16 August 2023. This allows producers (and others holding OEANs produced before 16 August) to run down old stock and avoid the need for wasteful disposal of those products.
- However, the sustained issuing of OEANs after launch will mean the number of NEANs issued will be less than forecast, and therefore Circularity Scotland's revenue will be reduced (we do not charge a Producer Fee or deposit on OEANs). Unexpectedly large

volumes of OEANs could create a cashflow risk.

- Circularity Scotland and its partners are investing more than £100m to build the infrastructure to allow producers to comply with DRS – the costs of that infrastructure need to be paid from Day 1.
- Circularity Scotland will therefore reserve the right to charge the OEAN Payment monthly where there is a material difference between the forecast volume of NEANs and the actual volume declared as PoM by the producer, in the first few months of scheme operation (until 31 December 2023).
- The OEAN charge assumes that Circularity Scotland do not receive the container back, nor is any deposit charged or redeemed.
- The OEAN charge will be the Producer Fee for the OEAN material type.

# FAQs: OEAN Payment

## Q. How do I register my OEANs?

OEANs should be registered with Circularity Scotland in order that they can be included in the product list for RPOs. This allows the RPO to optionally accept these to avoid littering.

OEANs are not scheme articles and should not be declared as part of the PoM reporting.

## Q. When will this charge be levied?

A: The payment will only be required if there is a material difference between forecast NEANs and actual PoM NEANs. That difference will be assessed each month until the end of the first calendar year of operation (31 December 2023) and a payment requested each month if needed.

## Q. Is there a producer fee charged on an OEAN?

A: The OEAN Payment effectively covers Circularity Scotland's immediate loss of revenue – it is therefore equivalent in value to the Producer Fee (by type of material).

## Q. Is this a one off payment?

A: Charging of the OEAN Payment will be in place until the end of 2023. We expect the highest volumes of OEANs to come through in the first few weeks of scheme operation.

## Q: How does this differ to the NEAN?

Deposits and fees are payable on NEANs as soon as they are put to market (i.e. no more than one month before go live).

The OEAN payment reflects the risk to the expected DRS forecasted volumes that result from a delay in the introduction of NEANs (by producers, wholesalers or retailers building up higher than usual stock of OEANs then selling them through after go live).

## Q. Will OEANs be accepted by RPOs?

A: It is at a retailer's discretion to accept OEANs – we hope many will do this to improve the collection of recyclable materials and reduce littering at RPOs.

# Redemptions > 100%

- Circularity Scotland will monitor all PoM Scheme Articles against measured redeemed Scheme Articles to produce a return rate for each EAN. This will be reconciled to the same cut off as the PoM (end of month or accounting period).
- Where the cumulative redemption rate exceeds 100% Circularity Scotland will automatically generate an invoice to the relevant producer to collect the PF and deposit associated with this over redemption.
- At the point of raising the invoice the cumulative return rate will be reset to 100% (by inclusion of this charge as PoM) to prevent the charge being made again for the same over recovery.
- The timing of the charge to producers recognises that the product has already been recorded as redeemed and has therefore created the liability for Circularity Scotland to pay the deposit and the RHF to the Return Point Operator. It should not be possible for an article to be redeemed prior to it being reported as PoM.

# FAQs: Redemptions > 100%

## Q. How will any additional charges be raised?

A: The invoice will be generated by Circularity Scotland finance and sent to the portal. An email notification will be sent making the Producer aware of the charge for over redemption and the payment details.

## Q. If I have a UK SKU and pay the surcharge, will I still be charged if redemptions are over 100%?

A: Yes.

## Q: How will Circularity Scotland monitor if the redemption rate is significantly different than expected?

A: The detailed record keeping by the system allows Circularity Scotland to measure by Producer/ by product/ by SKU the placed-on market volumes vs the redeemed volumes. This allows Circularity Scotland to build a significant database of records to monitor consumer behaviour, scheme article dwell time, redemption rates by product, redemption rates by type of material etc. This data will be used to assess at any point in time the likelihood of scheme articles still to be returned (and the associated DRS liability).

## Q: Will costs be recovered from individual producers where return rates exceeded average rates for that category as the assumption would be fraud?

A: Circularity Scotland are building information systems and a Fraud team who will monitor redemption rates and any unusual redemption patterns. Circularity Scotland reserves the right to raise an invoice where there is evidence of excessive returns.

D. When and how will I be invoiced?

## Year 1: Forecast Producer Fee Per Scheme Article

| Forecast Year One Producer Fee                                                                                                                                                                                                                                     | Pence Per Scheme Article | VAT Applicable |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------|
| PET                                                                                                                                                                                                                                                                | 2.21p                    | Yes            |
| ALUMINIUM/STEEL                                                                                                                                                                                                                                                    | 2.03p                    | Yes            |
| GLASS                                                                                                                                                                                                                                                              | 4.10p                    | Yes            |
| UK SURCHARGE                                                                                                                                                                                                                                                       | 1.133p                   | Yes            |
| Deposit                                                                                                                                                                                                                                                            | 20p                      | No*            |
| <p>*The 20p includes VAT at the time it is invoiced. HMRC have recently (Feb' 23) provided guidance on the accounting for VAT at the point the deposit is deemed unreturned.</p> <p><a href="#">Deposit Return Scheme: letter to HM Treasury February 2023</a></p> |                          |                |

# PF Standard Charging – Fees and Calculation

| Charges                                                  | Rationale                                                                                                                                                                                                                                                                                                                                                                                | Payment per Article                              | SKU CLASSIFICATION CHARGES APPLY |           |          |           |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------|-----------|----------|-----------|
|                                                          |                                                                                                                                                                                                                                                                                                                                                                                          |                                                  | NEAN (S)                         | NEAN (UK) | REAN (S) | REAN (UK) |
| <b>Producer Fee</b>                                      | <p>The Producer Fee (PF) is the payment made by producers to ensure Circularity Scotland has sufficient revenue to cover its operating costs and maintain a small operating contingency. This is a charge for all producers – the fee varies by scheme material (PET, Metal, Glass)</p> <p><b>Invoicing calculation:</b><br/>100% PoM declared scheme article volumes x Producer Fee</p> | <p>PET 2.21p<br/>Metal 2.03p<br/>Glass 4.10p</p> | ✓                                | ✓         | ✓        | ✓         |
| <b>Producer Deposit</b><br><br>(Placed on Market)        | <p>To cover liability for redeemed scheme articles. This applies to all Placed on Market volumes.</p> <p><b>Invoicing calculation:</b><br/>100% PoM declared scheme article volumes x deposit</p>                                                                                                                                                                                        | <p>20p</p>                                       | ✓                                | ✓         | ✓        | ✓         |
| <b>UK Surcharge</b><br><br>(for NEAN (UK) and REAN (UK)) | <p>The surcharge is calculated to reflect the increased risk of fraudulent or unexpectedly higher returns – items not originally sold in Scotland (no PF &amp; no deposit) but which can be redeemed in Scotland.</p> <p><b>Invoicing calculation:</b><br/>100% UK SKU PoM declared scheme articles volumes x 5% of [weighted average return handling fee + deposit]</p>                 | <p>1.133p</p>                                    |                                  | ✓         |          | ✓         |



# DRS Additional Charges – Fees and Calculations

| Charges             | Rationale                                                                                                                                                                                                                                                                                                                                                                                                                         | Payment per Article                  | SKU CLASSIFICATION CHARGES APPLY |           |          |           |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|-----------|----------|-----------|
|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                      | NEAN (S)                         | NEAN (UK) | REAN (S) | REAN (UK) |
| Day 1 REAN Payment  | <p>To cover financial risk to the DRS for stock which can be redeemed post go live but on which no deposit has been paid. This is stock in the retail &amp; wholesale supply chain plus consumer stockpiling (full and empty containers). This payment applies to REANs.</p> <p><b>Invoicing calculation:</b><br/>Deposit + producer fee + UK surcharge (if REAN UK) for: Three weeks average of forecast annual PoM on REANs</p> | 20p + PF + UK Surcharge (on UK REAN) |                                  |           | ✓        | ✓         |
| Month One Invoicing | <p>To cover the payment of deposits at DRS launch, this charge supports the opening cashflow of the scheme. This charge applies to NEAN and REANs.</p> <p><b>Invoicing calculation:</b><br/>Deposit + Producer Fee + UK surcharge (if REAN UK) for: Three weeks average of forecast annual PoM on REANs and NEANs</p>                                                                                                             | 20p + PF + UK Surcharge (on UK REAN) | ✓                                | ✓         | ✓        | ✓         |

## YEAR 1: Forecast PF – Worked Example

| Scheme Article Description (SA) | Volume PoM | Pence per SA | UK SKU Surcharge | Total Charge per SA | Total Charge (excl VAT) | VAT          | Total Charge (incl VAT) |
|---------------------------------|------------|--------------|------------------|---------------------|-------------------------|--------------|-------------------------|
| NEANs PET (Scottish)            | 100        | 2.21p        | 0.0p             | 2.21p               | £2.21                   | £0.44        | <b>£2.65</b>            |
| NEANs Metal (Scottish)          | 100        | 2.03p        | 0.0p             | 2.03p               | £2.03                   | £0.41        | <b>£2.44</b>            |
| NEANs Glass (Scottish)          | 100        | 4.10p        | 0.0p             | 4.10p               | £4.10                   | £0.82        | <b>£4.92</b>            |
| NEANs PET (UK)                  | 50         | 2.21p        | 1.133p           | 3.343p              | £1.67                   | £0.33        | <b>£2.01</b>            |
| NEANs Metal (UK)                | 50         | 2.03p        | 1.133p           | 3.163p              | £1.58                   | £0.32        | <b>£1.90</b>            |
| NEANs Glass (UK)                | 50         | 4.10p        | 1.133p           | 5.233p              | £2.62                   | £0.52        | <b>£3.14</b>            |
| REANs (UK) PET                  | 100        | 2.21p        | 1.133p           | 3.343p              | £3.34                   | £0.67        | <b>£4.01</b>            |
| REANs (UK) Metal                | 100        | 2.03p        | 1.133p           | 3.163p              | £3.16                   | £0.63        | <b>£3.80</b>            |
| REANs (UK) Glass                | 100        | 4.10p        | 1.133p           | 5.233p              | £5.23                   | £1.05        | <b>£6.28</b>            |
| DRS Deposit                     | 750        | 20p          | n/a              | 20p                 | £150.00                 | £0.00        | <b>£150.00</b>          |
| <b>Total</b>                    |            |              |                  |                     | <b>£175.95</b>          | <b>£5.19</b> | <b>£181.14</b>          |

## YEAR 1: DAY 1 REAN Payment – Worked Example

| Scheme Article Description (SA) | Volume PoM (annualised forecast) | Pence per SA | UK SKU Surcharge | Total Charge per SA | Total Charge (excl VAT) | VAT          | Total Charge (incl VAT) |
|---------------------------------|----------------------------------|--------------|------------------|---------------------|-------------------------|--------------|-------------------------|
| REANs (UK) PET                  | 100                              | 2.21p        | 1.133p           | 3.343p              | £3.34                   | £0.67        | <b>£4.01</b>            |
| REANs (UK) Metal                | 100                              | 2.03p        | 1.133p           | 3.163p              | £3.16                   | £0.63        | <b>£3.80</b>            |
| REANs (UK) Glass                | 100                              | 4.10p        | 1.133p           | 5.233p              | £5.23                   | £1.05        | <b>£6.28</b>            |
| REANs (Scottish) PET            | 50                               | 2.21p        | n/a              | 2.21p               | £1.11                   | £0.22        | <b>£1.33</b>            |
| DRS Deposit                     | 350                              | 20p          |                  | 20p                 | £70.00                  | £0.00        | <b>£70.00</b>           |
| <b>Total</b>                    | <b>350</b>                       |              |                  |                     | <b>£82.84</b>           | <b>£2.57</b> | <b>£85.41</b>           |

The Day One REAN Payment is to cover the financial risk to the DRS for stock which can be redeemed post go live but on which no deposit has been paid. This is stock in the retail and wholesale supply chain plus consumer stockpiling. The basis of this payment is 3 weeks annualised forecasted data and is payable on 16 August 2023. This only applies to REANs.

# YEAR 1: Month 1 Invoice – Worked Example

| Scheme Article Description (SA) | Volume PoM (annualised forecast) | Pence per SA | UK SKU Surcharge | Total Charge per SA | Total Charge (excl VAT) | VAT          | Total Charge (incl VAT) |
|---------------------------------|----------------------------------|--------------|------------------|---------------------|-------------------------|--------------|-------------------------|
| NEANs PET (Scottish)            | 75                               | 2.21p        | 0.0p             | 2.21p               | £1.65                   | £0.33        | <b>£1.98</b>            |
| NEANs Metal (Scottish)          | 75                               | 2.03p        | 0.0p             | 2.03p               | £1.50                   | £0.30        | <b>£1.80</b>            |
| NEANs Glass (Scottish)          | 75                               | 4.10p        | 0.0p             | 4.10p               | £3.08                   | £0.62        | <b>£3.69</b>            |
| NEANs PET (UK)                  | 25                               | 2.21p        | 1.133p           | 3.343p              | £0.84                   | £0.17        | <b>£1.00</b>            |
| NEANs Metal (UK)                | 25                               | 2.03p        | 1.133p           | 3.163p              | £0.79                   | £0.16        | <b>£0.95</b>            |
| NEANs Glass (UK)                | 25                               | 4.10p        | 1.133p           | 5.233p              | £1.31                   | £0.26        | <b>£1.57</b>            |
| REANs (UK) PET                  | 50                               | 2.21p        | 1.133p           | 3.343p              | £1.67                   | £0.33        | <b>£2.01</b>            |
| REANs (UK) Metal                | 50                               | 2.03p        | 1.133p           | 3.163p              | £1.58                   | £0.32        | <b>£1.90</b>            |
| REANs (UK) Glass                | 50                               | 4.10p        | 1.133p           | 5.233p              | £2.62                   | £0.52        | <b>£3.14</b>            |
| DRS Deposit                     | 450                              | 20p          | n/a              | 20p                 | £90.00                  | £0.00        | <b>£90.00</b>           |
| <b>Total</b>                    |                                  |              |                  |                     | <b>£105.03</b>          | <b>£3.01</b> | <b>£108.04</b>          |

To cover the payment of deposits at DRS launch, this payment supports the opening cashflow of the scheme. The basis of this invoice is 3 weeks annualised forecasted data and is payable on 31 August 2023. This applies to NEANs and REANs.

# Invoicing Process – Standard

## Standard Invoicing:

- On a monthly / periodic basis (depending on the accounting calendar followed by producers), Circularity Scotland requires producers to declare their prior month 'Placed on Market' volumes. This information is supplied by producers at SKU level.
- The information will be provided to Circularity Scotland in accordance with the accounting calendar. This data automatically generates a 'self-billing' invoice for producers (Circularity Scotland does not make any manual change to this data).
- The invoice is collected by Direct Debit. For example, on 9th October 2023, producers will submit their Placed-on Market volumes for the period covering 1st September 2023 – 30<sup>th</sup> September 2023.
- The deadline for supplying the information gives sufficient time for producers to collate the data. If a producer fails to submit their data, Circularity Scotland will use the monthly forecast volume provided by the producer as part of the registration process, thus always ensuring that Circularity Scotland has sufficient cash to meet its liabilities.
- A NEAN is defined as a product which is Placed on Market (PoM) for the first time no more than one month before Scotland's DRS go live.
- For NEAN **all volumes place in the Scottish market prior to go live must be reported within the first PoM reporting period** to facilitate the inclusion of this volume in the first charge.
- One invoice is raised for each producer containing:
  - Placed on Market volumes x deposit x Producer Fee
  - UK Surcharge where applicable
  - The invoice will distinguish between the deposit and Producer Fee (and surcharge) and the associated VAT.
  - Monthly true up adjustments
- The appendix shows an invoicing calendar based on a producer's billing cycle.

# Invoicing Process - Additional

## Day 1 REAN

- The Day 1 REAN Payment will be raised on 16th of July 2023.
- This invoice will be payable on 16 August 2023.
- Basis is 3 weeks annualised forecasted data – REANs only.

## Month 1

- The Month 1 invoice Payment will be raised on 1st August 2023.
- This invoice will be payable on 31 August 2023.
- Basis is 3 weeks annualised forecasted data – All EANs.

## Additional Invoicing:

- Containers that are returned will be reviewed against the volume declared by producers.
- Where returns exceed the PoM declaration for the previous month, an invoice for these undeclared containers will be raised.

# FAQs: Invoicing Process

## Q: When will I receive my first standard invoice?

A: Your first standard invoice will be issued in September according to your accounting calendar. You will be invoiced the following business day, after submitting your PoM volumes.

A schedule of invoice dates have been provided in the pack – please refer to the accounting calendar that applies to you.

In addition to the regular schedule of charges, we plan to raise an invoice for "Day 1" which will be raised on 16th July 2023 and applies to REANs. Month 1 invoice will be raised on 1 August 2023.

## Q. How will you collect payment? Are all payments by DD?

Routine charges (producer deposits, fees, UK surcharges) will be collected via DD. Any additional invoices will be also be collected by DD.

## Q: What are the payment terms? Are there any variations to these terms.

A: There are no credit terms on our invoices, payment will fall due by DD 3 days after they are raised.

The exception is Day 1 REAN Payment and Month 1 invoices which will be collected by DD 30 days post invoice raised.

## Q: Will I receive multiple invoices?

There will be one monthly invoice to Producers based on their self declared 'Placed on Market' volumes. This invoice will include the charge for deposit, producer fee and surcharge.

# What is the Producer Fee True Up?

- Producers have the ability to correct prior month PoM reporting through the monthly volume 'true up' process.
- This 'true up' adjustment will be made at SKU level with the purpose of correcting any prior month's submission of what was **estimated** as PoM when the producer may have more accurate information on the **actual** PoM.
- This 'true up' recognises that producers may rely on their distribution network to confirm whether the products sold to the distributor have been sold in Scotland or sold elsewhere.
- The 'true up' volume reporting provided by each producer is also at EAN level and can reflect either
  - an increase to a prior month reported volumes or a decrease to prior month reported volumes.
- Once the adjustment is made to the PoM data, the system will automatically generate the adjusted monthly PoM figure and invoice accordingly.
- Where the true up reveals an overpayment of fees for the prior month, an adjustment will be made to the following month's invoice.
- This process will be closely monitored by the Accounting Team as reporting lower PoM data compared to redemption rates will trigger an over redemption invoice.



## E. Other Frequently Asked Questions

# Other Frequently Asked Questions

**Q: There are different costs to collection and processing of materials, do the calculations you have used reflect this?**

A: Yes. Our original modelling allocated revenue streams by material, we have now reviewed our cost allocation and allocated logistics costs by material type as well. We will monitor our assumptions on an ongoing basis.

**Q: How will the Producer Fee be Audited?**

A: Circularity Scotland have appointed KPMG as auditor. KPMG will not provide an audit opinion on the Producer Fee calculation. As Circularity Scotland is a 'not for profit' organisation, producers will have clarity on whether the Producer Fee is excessive through visibility of the overall financial result for Circularity Scotland. Circularity Scotland has been established to operate the DRS scheme on behalf of producers and undertakes to operate an efficient and cost effective scheme. Any surplus is fed back to producers through a reduced Producer Fee in subsequent years. This PF calculation approach is embedded in the Producer Agreement.

**Q. What fiscal and commercial controls are in place with third party contractors to ensure they are effectively mitigating cost risks to producers?**

A: We have a strict budgetary control process. We authorise cost commitments. Over the next year we are working with our partners to design a system which is cost efficient and effective. We are doing this against a very difficult economic background – for example sourcing vehicle drivers is incredibly difficult. Even placing orders for capital equipment is challenging - it is difficult to secure places in the order cycle. Buying power is diminished. The contract with Biffa is on an open book basis.

**Q: If a producer is also an RPO will invoices be netted off?**

A: No. The producer invoicing timetable is monthly and the RPO payment terms are either weekly (manual) or monthly (RVM).

## F. EAN Definitions

## Scheme Article Definitions (as aligned between Circularity Scotland & Industry)

|           | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Producer charges a deposit       | Retailer refunds a deposit | Consumer pays a deposit | Consumer claims a deposit |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------|-------------------------|---------------------------|
| REAN (UK) | The producer retains an existing product available across the UK <b>(or internationally)</b> and registers the EAN for sale in Scotland's DRS. UK surcharge applicable.                                                                                                                                                                                                                                                                                                                                                      | Yes<br>(on Scottish PoM Volumes) | Yes                        | Yes                     | Yes                       |
| REAN (S)  | The producer retains an existing product available in <b>Scotland</b> only and registers the EAN for sale in Scotland's DRS                                                                                                                                                                                                                                                                                                                                                                                                  | Yes                              | Yes                        | Yes                     | Yes                       |
| NEAN (UK) | The producer launches a new product available across the UK <b>(or internationally)</b> and registers the EAN for sale in Scotland's DRS.<br>An NEAN is defined as a product which is Placed on Market (PoM) for the first time no more than one month before Scotland's DRS Go-Live. If Placed on the Market earlier than one month prior it falls into the category of a REAN and a UK surcharge will be applicable.                                                                                                       | Yes<br>(on Scottish PoM Volumes) | Yes                        | Yes                     | Yes                       |
| NEAN (S)  | The producer launches a new product intended only for sale in <b>Scotland</b> and registers the EAN for sale in Scotland's DRS.<br><br>It is not intended for supply outside of Scotland and payment of a PF and deposit to Circularity Scotland is applicable on <b>all issues</b> . If these SKUs are sold outside of Scotland no refund of deposits or fees is payable by Circularity Scotland. The product may be PoM no earlier than 1 month before Go Live. Whilst the producer intends to sell this only in Scotland. | Yes                              | Yes                        | Yes                     | Yes                       |

## Non Scheme Article Definitions

|      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Producer charges a deposit | Retailer refunds a deposit | Consumer pays a deposit | Consumer claims a deposit |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|-------------------------|---------------------------|
| OEAN | <p>The introduction of a NEAN creates the existence of an Old EAN or OEAN. OEANs are the outcome from the creation of a new Scottish EAN, a new UK EAN or a line discontinued for sale in Scotland with no replacement.</p> <p>OEANs do not need to be registered with SEPA but the producer should register these with Circularity Scotland in order that they can be included in the product list for acceptance by RVMs. This allows the RPO to optionally accept these to avoid littering around the RVM. There will be no RHF payment or deposit payment / redemption.</p> <p>The producer does not intend it to be PoM in Scotland after Go-Live and it is not a Scheme Article.</p> <p>If produced before 16th August 2023 OEANs may continue to be sold in Scotland after Go Live date as non-Scheme Articles. Circularity Scotland reserve the right to charge an OEAN fee where NEAN volumes have not been PoM as expected (due to delay in NEAN been brought on market) for OEANs being replaced.</p> | No                         | No                         | No                      | No                        |

# FAQs: EAN Definitions

## Q: What is the difference between the EANs?

A: OEAN is the outcome of creating a new SKU, known as NEAN. The producer does not register this SKU in Scotland and does not intend for it to be PoM. As such this is not a scheme article and no deposit is payable or redeemable. However we reserve the right to levy an OEAN charge – should there to be an unexpected shortfall of NEANs at scheme launch.

A REAN (Scottish or UK) is a SKU currently available in Scotland or the UK and will continue to be sold.

The main difference between the EANs is the application of the UK wide surcharge and the Day 1 REAN Payment.

The UK Surcharge applies only applies to UK SKUs - REAN (UK) and NEAN (UK)

The Day 1 REAN Payment applies only to REANs.

## Q. When do I have to register my NEANs?

The definition of a NEAN is placed on market no more than one month before go live. All NEANs placed on market will be subject to a deposit and producer fee charge – and a UK surcharge for UK NEANs. Producers should provide Circularity Scotland with a forecast of your EAN volume by category ahead of the first billing period.

## Q: What happens to OEANs when the scheme is live?

A: Producers are asked to provide Circularity Scotland with details of the OEANs so that we can identify these as non scheme articles – where no deposit has been paid and the consumer therefore will not get a deposit on return. Our systems will be programmed with this information and Circularity Scotland will collect any material presented (to reduce littering) but will not pay out a deposit or a return handling fee on these items.

## G. Issues to be resolved

## ONLINE TAKE BACK

- Distance sale retailers are tasked with delivering an environmentally and cost-effective operating model for Online take back
- This operating model has not yet been developed
- In the absence of an operating model we have assumed the volume is managed through manual return points
- The regulations in this area are being considered for review by the Minister responsible for DRS – more details will be issued by the Scottish Government once available



# H. Appendix: Invoicing Calendars

# Day 1 REAN Payment

| Volumes put on market date   | Annualised Forecast  |
|------------------------------|----------------------|
| CSL invoice mechanism        | Day 1 REAN Payment   |
| Basis                        | Forecast             |
| Invoice Raised               | 16/07/23             |
|                              | 30                   |
| Invoice data                 | REANs only - 3 weeks |
| Invoice due date             | 15/08/23             |
| Direct debit collection date | 14/08/23             |
| Direct debit receipt date    | 16/08/23             |
| Accounting calendar          | All                  |

The Day One REAN Payment is to cover the financial risk to the DRS for stock which can be redeemed post go live but on which no deposit has been paid. This is stock in the retail and wholesale supply chain plus consumer stockpiling. The basis of this payment is 3 weeks annualised forecasted data and is payable on 16 August 2023. This only applies to REANs.

# Month 1 Invoice

| Volumes put on market date   | Annualised Forecast       |
|------------------------------|---------------------------|
| CSL invoice mechanism        | Month 1 Invoice           |
| Basis                        | Forecast                  |
| Invoice raised               | 01/08/23                  |
|                              | 30                        |
| Invoice data                 | NEANs and REANs - 3 weeks |
| Invoice due date             | 31/08/23                  |
| Direct debit collection date | 29/08/23                  |
| Direct debit receipt date    | 31/08/23                  |

To cover the payment of deposits at DRS launch, this payment supports the opening cashflow of the scheme. The basis of this invoice is 3 weeks annualised forecasted data and is payable on 31 August 2023. This applies to NEANs and REANs.

# August 2023 Summary Timetable

| Volumes put on market date   | Annualised Forecast | Annualised Forecast       | 16/08/23-27/08/23       | 16/08/23-31/08/23      | 16/08/2023-03/09/23     | 16/08/23-10/09/23       |
|------------------------------|---------------------|---------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| CSL invoice mechanism        | Day 1 REAN Payment  | Month 1 invoice           | Month 2 invoice         | Month 2 invoice        | Month 2 invoice         | Month 2 invoice         |
| Day 9 receive PoM data       | Forecast            | Forecast                  | 05/09/23                | 09/09/23               | 12/09/23                | 19/09/23                |
| Day 10 raise invoice         | 16/07/23            | 01/08/23                  | 06/09/23                | 10/09/23               | 13/09/23                | 20/09/23                |
| Payment terms                | 30                  | 30                        | 3                       | 3                      | 3                       | 3                       |
| Invoice data                 | REANs only-3 weeks  | NEANs and REANs - 3 weeks | Prior period actual PoM | Prior month actual PoM | Prior period actual PoM | Prior period actual PoM |
| Invoice due date             | 15/08/23            | 31/08/23                  | 09/09/23                | 13/09/23               | 16/09/23                | 23/09/23                |
| Direct debit collection date | 14/08/23            | 29/08/23                  | 07/09/23                | 11/09/23               | 14/09/23                | 21/09/23                |
| Direct debit receipt date    | 16/08/23            | 31/08/23                  | 11/09/23                | 13/09/23               | 18/09/23                | 25/09/23                |
| Accounting calendar          | All                 | All                       | 445                     | Calendar month         | 544                     | 13x4                    |

# Accounting Calendar - Month

| Volumes put on market date   | 16/08/23-31/08/23      | 01/09/23-30/9/23       | 01/10/23-31/10/23      | 01/11/23-30/11/23      |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| CSL invoice mechanism        | Month 2 invoice        | Month 3 invoice        | Month 4 invoice        | Month 5 invoice        |
| Day 9 receive PoM data       | 09/09/23               | 09/10/23               | 09/11/23               | 09/12/23               |
| Day 10 raise invoice         | 10/09/23               | 10/10/23               | 10/11/23               | 10/12/23               |
| Payment terms                | 3                      | 3                      | 3                      | 3                      |
| Invoice data                 | Prior month actual PoM | Prior month actual PoM | Prior month actual PoM | Prior month actual PoM |
| Invoice due date             | 13/09/23               | 13/10/23               | 13/11/23               | 13/12/23               |
| Direct debit collection date | 11/09/23               | 11/10/23               | 09/11/23               | 11/12/23               |
| Direct debit receipt date    | 13/09/23               | 13/10/23               | 13/11/23               | 13/12/23               |
|                              |                        |                        |                        |                        |

By the 9th calendar day following each accounting period the producer will report the previous periods actual PoM figures. Circularity Scotland will invoice the producer for the previous periods actual PoM figures the next day

# Accounting Calendar - 4-4-5

| Volumes put on market date   | 16/08/23-27/08/23       | 28/08/23-01/10/23       | 02/10/23-29/10/23       | 30/10/23-26/11/23       |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| CSL invoice mechanism        | Month 2 invoice         | Month 3 invoice         | Month 4 invoice         | Month 5 invoice         |
| Day 9 receive PoM data       | 05/09/23                | 10/10/23                | 07/11/23                | 05/12/23                |
| Day 10 raise invoice         | 06/09/23                | 11/10/23                | 08/11/23                | 06/12/23                |
| Payment terms                | 3                       | 3                       | 3                       | 3                       |
| Invoice data                 | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM |
| Invoice due date             | 09/09/23                | 14/10/23                | 11/11/23                | 09/12/23                |
| Direct debit collection date | 07/09/23                | 12/10/23                | 09/11/23                | 07/12/23                |
| Direct debit receipt date    | 11/09/23                | 16/10/23                | 13/11/23                | 11/12/23                |

By the 9th calendar day following each accounting period the producer will report the previous periods actual PoM figures. Circularity Scotland will invoice the producer for the previous periods actual PoM figures the next day.

# Accounting Calendar - 5-4-4

| Volumes put on market date   | 16/08/2023-03/09/23     | 04/09/23-01/10/23       | 02/10/23-05/11/23       | 06/11/23-03/12/23       |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| CSL invoice mechanism        | Month 2 invoice         | Month 3 invoice         | Month 4 invoice         | Month 5 invoice         |
| Day 9 receive PoM data       | 12/09/23                | 10/10/23                | 14/11/23                | 12/12/23                |
| Day 10 raise invoice         | 13/09/23                | 11/10/23                | 15/11/23                | 13/12/23                |
| Payment terms                | 3                       | 3                       | 3                       | 3                       |
| Invoice data                 | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM |
| Invoice due date             | 16/09/23                | 14/10/23                | 18/11/23                | 16/12/23                |
| Direct debit collection date | 14/09/23                | 12/10/23                | 16/11/23                | 14/12/23                |
| Direct debit receipt date    | 18/09/23                | 16/10/23                | 20/11/23                | 18/12/23                |

By the 9th calendar day following each accounting period the producer will report the previous periods actual PoM figures. Circularity Scotland will invoice the producer for the previous periods actual PoM figures the next day

# Accounting Calendar - 13x4

| Volumes put on market date   | 16/08/23-10/09/23       | 11/09/23-08/10/23       | 09/10/23-05/11/23       | 06/11/23-03/12/23       |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| CSL invoice mechanism        | Month 2 invoice         | Month 3 invoice         | Month 4 invoice         | Month 5 invoice         |
| Day 9 receive PoM data       | 19/09/23                | 17/10/23                | 14/11/23                | 12/12/23                |
| Day 10 raise invoice         | 20/09/23                | 18/10/23                | 15/11/23                | 13/12/23                |
| Payment terms                | 3                       | 3                       | 3                       | 3                       |
| Invoice data                 | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM | Prior period actual PoM |
| Invoice due date             | 23/09/23                | 21/10/23                | 18/11/23                | 16/12/23                |
| Direct debit collection date | 21/09/23                | 19/10/23                | 16/11/23                | 14/12/23                |
| Direct debit receipt date    | 25/09/23                | 23/10/23                | 20/11/23                | 18/12/23                |



# Example of an invoice (DRAFT)

|                                                               |          |        |     |              |              | Ink Building, 6th floor<br>24 Douglas Street<br>Glasgow<br>G2 7NQ<br>accounts@circularityscotland.com<br>www.circularityscotland.com |
|---------------------------------------------------------------|----------|--------|-----|--------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Invoice To:                                                   |          |        |     |              |              | Customer Number: C0000123                                                                                                            |
| Example Customer                                              |          |        |     |              |              | Producer Reference: PR000123                                                                                                         |
| Example Street                                                |          |        |     |              |              | SEPA ID: P-123                                                                                                                       |
| Example Town                                                  |          |        |     |              |              | Customer vat number: GB 123456789                                                                                                    |
| Example Country                                               |          |        |     |              |              | Invoice Number: INV0000123                                                                                                           |
| Example Post code                                             |          |        |     |              |              | Invoice Date: dd/mm/yyyy                                                                                                             |
|                                                               |          |        |     |              |              | Due Date: dd/mm/yyyy                                                                                                                 |
|                                                               |          |        |     |              |              | Purchase Order Number: 123                                                                                                           |
|                                                               |          |        |     |              |              |                                                                                                                                      |
| Invoice period: dd/mm/yyyy - dd/mm/yyyy                       |          |        |     |              |              |                                                                                                                                      |
| True up period: dd/mm/yyyy - dd/mm/yyyy                       |          |        |     |              |              |                                                                                                                                      |
|                                                               |          |        |     |              |              |                                                                                                                                      |
| Description                                                   | Quantity | Rate   | Vat | Net Amount   | Gross Amount |                                                                                                                                      |
| Producer fee current period: PET                              | 2        | 2.210  | 20% | 4.42         | 5.30         |                                                                                                                                      |
| Producer fee current period: Metal                            | 2        | 2.030  | 20% | 4.06         | 4.87         |                                                                                                                                      |
| Producer fee current period: Glass                            | 2        | 4.100  | 20% | 8.20         | 9.84         |                                                                                                                                      |
| Producer fee true up previous period: PET                     | 1        | -2.210 | 20% | - 2.21       | - 2.65       |                                                                                                                                      |
| Producer fee true up previous period: Metal                   | 1        | 2.030  | 20% | 2.03         | 2.44         |                                                                                                                                      |
| Producer fee true up previous period: Glass                   | 1        | 4.100  | 20% | 4.10         | 4.92         |                                                                                                                                      |
| PoM deposit current period                                    | 2        | 0.200  | 0%  | 0.40         | 0.40         |                                                                                                                                      |
| PoM deposit true up previous period                           | 1        | -0.200 | 0%  | - 0.20       | - 0.20       |                                                                                                                                      |
| UK Surcharge ( if applicable)                                 | 1        | 1.133  | 20% | 1.13         | 1.36         |                                                                                                                                      |
|                                                               |          |        |     |              |              |                                                                                                                                      |
|                                                               |          |        |     | Net Amount   | 21.93        |                                                                                                                                      |
|                                                               |          |        |     | Vat Amount   | 4.35         |                                                                                                                                      |
|                                                               |          |        |     | Total Amount | 26.28        |                                                                                                                                      |
|                                                               |          |        |     |              |              |                                                                                                                                      |
| Note: Payment will be collected by direct debit on dd/mm/yyyy |          |        |     |              |              |                                                                                                                                      |

This is a draft of a standard invoice. Our ERP design is still under way and this is subject to change.



Thank you