

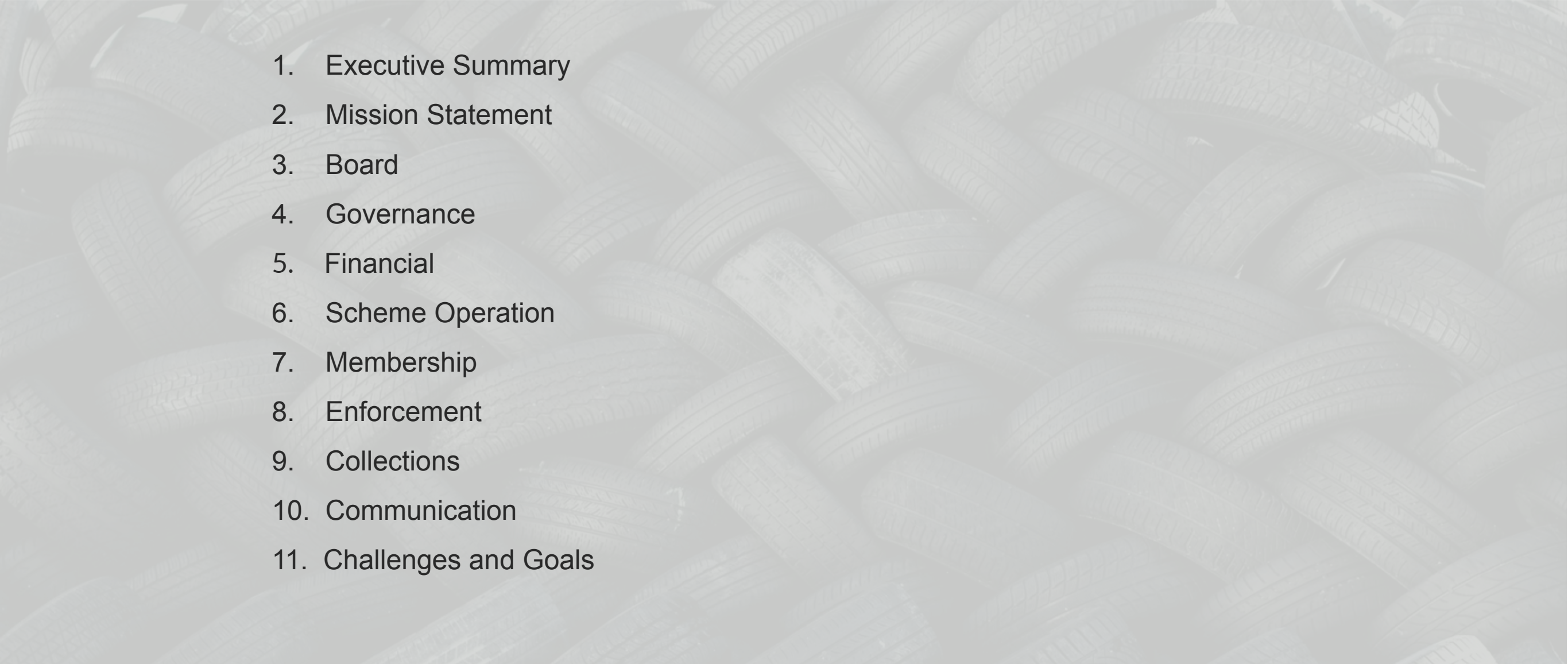


ANNUAL REPORT

Tyre Compliance Scheme
2017

WELCOME

TABLE OF CONTENT

- 
1. Executive Summary
 2. Mission Statement
 3. Board
 4. Governance
 5. Financial
 6. Scheme Operation
 7. Membership
 8. Enforcement
 9. Collections
 10. Communication
 11. Challenges and Goals

EXECUTIVE SUMMARY

Members, welcome to the 2nd annual report of Repak ELT, Ireland's Tyre Compliance Scheme which is responsible for the environmental management of waste tyres on our Members behalf. 1st October 2017 was a landmark date for Ireland with the introduction of the Waste Management (Tyres & Waste Tyres) Regulations 2017 by Minister Denis Naughten, Minister for Communications, Climate Action and Environment. Repak ELT was appointed by the Minister with a licensed approval period to 31st December 2022 to deliver the legal compliance for our members as set out in the new Regulations. Repak ELT's mission is to deliver an environmentally sustainable Tyre Compliance Scheme, provide best value for money, bring visibility and accountability for where waste tyres end up and finally help eliminate the illegal dumping of waste tyres on our landscape.

This report refers to two phases. Phase 1, the period from July 2015 to 1st of October 2017 where Repak ELT operated as a compliance scheme under the 2007 Regulations which provided for data capture only. Phase 2 came into effect on 1st October 2017 with the introduction of the new Regulations and a visible Environmental Management Cost (vEMC) on all new passenger car and motor cycle tyres placed on the market. We are pleased to report that with the help of our Members we have made a positive start.

Revenue for 2017 was €1.76 million with an overall deficit of €247K which was in line with expectations. Accumulated deficit stood at €791K at 31st December. Repak Limited was the largest creditor of the scheme. We would particularly like to thank Repak Limited for their support during the start up phase.

Our membership growth in 2017 was exceptional, with 1797 Members recruited by 1st October 2017 and 2084 by 31st December 2017. We are pleased to report that by 31st March 2018 membership has reached 2308. We look forward to the continued support from our Members and their reporting which is improving month on month. A list of all compliant businesses can be found on our website, www.repakelt.ie.

In the first three months of the Phase 2 (Full Compliance Scheme) 4,700 tonnes of car tyres were collected by our Registered Collectors. This was higher than expected, but in line with new tyres placed on the market by Producers. The first six months of the scheme to March 2018 would indicate that the car tyre market could be in the region of 3 million for 2018. Outlets for the recycling and recovery of waste tyres in Ireland remain limited.

Current recycling facilities being used are by and large in India and Vietnam with some recycling in Ireland. Currently we have 24 Authorised Collectors providing waste collections from our Member's outlets. A list of all Repak ELT Registered Collectors is available on our website www.repakelt.ie.

EXECUTIVE SUMMARY

High levels of compliance are fundamental to the success of any compliance scheme. As a Board we wish to recognise the enforcement activities of the Waste Enforcement Lead Authorities (WERLA's) and the Local Authorities, which has boosted compliance with the new Regulations. In particular we wish to thank the Department of Communications, Climate Action and Environment (DCCAE) for this coordinated enforcement initiative and we will seek to have tyres as a priority for enforcement again in 2019.

Repak ELT works closely with the DCCAE and we report quarterly on the scheme's performance. We operate a continuous improvement program and we will continue to look at processes to make compliance as easy as possible for our Members. Clearly challenges still remain. While the vEMC for truck tyres remains at zero, there is still a legal requirement to report them. Under reporting at Producer and Retail level for truck tyres does not give an accurate overview of the market and highlights a compliance issue in a specific area of the industry that requires addressing by all stakeholders.

Communication with stakeholders has been a key focus area for the scheme over the course of the year. 2017 was a very busy year with active communication campaigns to help Members understand the scheme, to non-members to inform them of their legal obligations, to the public that a new scheme was being introduced and outlining how they would be contributing to a better environment and help reduce illegal dumping, by using a Repak ELT Member.

Stakeholder consultation formed a key cornerstone as to how the scheme was developed with 124 consultation meetings over the setting up period of Phase 1. We would like to thank all who participated. Since the founding of the scheme the Board of Repak ELT has complied with industry best practice regarding its corporate governance policies. In Q4 2018 board elections will be held to fill the remaining industry seats and we will be writing to Members in due course seeking nominations for these positions.

We wish to thank the Board and the sub committees of the Board for their dedication and support in 2017 in what has been a challenging year with many obstacles for the scheme to overcome. To the staff of Repak ELT, for their tireless commitment and dedication to delivering a successful compliance scheme on behalf of all stakeholders, our sincere thanks.

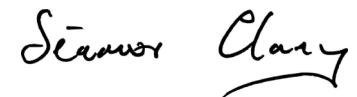
To you our Members, we will continually strive to do our utmost in the most cost efficient manner in delivering your end of life waste tyre compliance.

Assuring you of our best endeavours at all times, on behalf of you our Members.

Tony Keohane
Chairman



Séamus Clancy
CEO





REPAK ELT MISSION



Our Mission

Our mission is to deliver on behalf of our Members, the best value for money, environmentally sustainable tyre compliance scheme for Ireland, in accordance with the approval issued by the Minister for Communications, Climate Action and Environment under the Waste Management (Tyres and Waste Tyres) Regulations 2017.



Our Vision

To achieve scheme and environmental targets by building successful relationships and partnerships with all key stakeholders. To develop the potential of end of life tyres as a resource. To be recognised as a leading, innovative environmental influencer and educator and an excellent company to work for.



Our Values

Repak ELT's Members are the company's top priority and we strive to engage with them in a professional, courteous and confidential manner at all times.

The competence and motivation of our employees is the starting point for Repak ELT's success coupled with our continuing commitment to improve performance and deliver a top class service to our Members.

Repak ELT is fully committed to promoting environmental best practice within the tyre industry. Repak ELT believes in teamwork, sharing, co-operation and mutual respect to deliver our objectives with openness, transparency and pro-active communication.

OUR BOARD



Chairman

Tony Keohane



CEO

Seamus Clancy



Independent

Feargal Brennan



Industry

Kevin Farrell



Independent

David Kelly



Independent

Michael Layde



Company Secretary

William Collins

The Repak ELT board has representation from Repak, the legal and financial sectors and from the tyre industry.

Our Management Team

Repak ELT boasts an experienced management team from a variety of backgrounds and industries, with a proven track record of achievement in compliance and extended producer responsibility.



Tony O' Sullivan

General
Manager



Mark Gillick

Operations
Manager



John Coleman

Membership
Manager

GOVERNANCE

The Repak ELT Board utilises industry best practice for all its corporate governance policies.



Standards 1 | Our Commitment

Repak ELT adheres to the highest standards of Corporate Governance and its Board of Directors ensure accountability, fairness and transparency in Repak ELT's relationships with all stakeholders. The Board of Directors has adopted the following policy objectives in relation to its' Corporate Governance Responsibilities.



Framework 2 | Our Accountability

Repak ELT is committed to ensuring the effective operation of the Board and its committees in conformity with the highest standards of corporate governance. The Board will periodically review and evaluate Board procedures to ensure that it is primarily focused on strategy, performance and accountability. The Repak ELT Board manages risk assessment and the financial stewardship of Repak ELT.



Constitution 3 | Our Organisation

On 17th July 2015 Repak ELT was formed as a single member company limited by Guarantee. The constitution was adopted to operate a producer responsibility compliance scheme to comply with the 2007 Regulations. On October 1st 2017, S.I. no. 400 of the Waste Management (Tyres and Waste Tyres) Regulations 2017 were enacted, with Repak ELT being appointed as the Tyre Compliance Scheme until December 31st 2022.



Meetings 4 | Our Administration

The Board met four times in 2017. Board elections are planned for Q4 in 2018. The composition of the Board will have representation which includes three seats from Repak, four Independent seats and four seats from industry.



Committees 5 | Our Transparency

The Risk and Audit Committee reviews financial performance and reporting processes in the company. It also meets with our statutory auditors and tax advisors PricewaterhouseCooper. The Nominations Committee reviews the structure, size and composition of the Board. It also monitors Board Elections.



Remuneration 6 | Our Oversight

The Board determines and agrees the framework and broad policy for the remuneration of the Chief Executive, Chairman, Directors, senior management and employees. The Board is also responsible for benchmarking and reviewing the ongoing appropriateness and relevance of the remuneration policy and company pension scheme.

FINANCIAL



4,700 tons of Members tyres were recycled at end of life.

2017

€976K funded the recycling of Members tyres.



Income and Expenditure



Overall there was a deficit of €247K for 2017 as set up costs continued to be incurred for the first 9 months of the year. Revenue for the year was €1.76m



The Repak ELT compliance scheme funded the recycling of 4,700 tonnes of tyres at a cost of €976K. Overheads for the year totalled €1.03m, including set up costs and running costs for the year



Communication spend was 114K

Balance sheet



As of December 31st, 2017 trade debtors were €936K and cash at bank stood at €262K



Receivables stood at €521K representing invoices issued in January 2018 for tyres placed on the market in December 2017



Accumulated deficit €791K



Current liabilities stood at €2.51m, with Repak LTD being the largest liability with an outstanding amount of €1.21m for support received by Repak ELT since 2015. Accruals are €913K, with €808K for tyres recycled in December invoiced in 2018

SCHEME OVERVIEW AND OPERATION

2017 has been a challenging and interesting year for Repak ELT. From January to September Repak ELT operated a compliance scheme for end of life tyres in accordance with Section 26 of the Waste Management (Tyres and Waste Tyres) Regulations, 2007. Essentially it was a partial compliance scheme as during this period Repak ELT was only responsible for tracking and monitoring the flow of tyres onto and off the market. It did not have responsibility for the environmentally sound management of waste tyres at end of life. This was Phase 1 in the establishment of a producer responsibility compliance scheme.

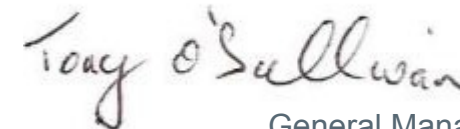
Throughout the first nine months of 2017, Repak ELT's focus was on growing the membership base, gathering market intelligence, awareness raising and working in the planning and preparation for Phase 2 of the project; the establishment of a full PRI compliance scheme. A key element of the preparation was an extensive consultation process with all stakeholders across the tyre supply chain, to include tyre manufacturers, importers, wholesalers, retailers, tyre collectors, tyre recyclers, enforcement authorities and officials from the Department of Communications, Climate Action and Environment (DCCAE) This consultation took place both formally through the Tyre Working Group established by DCCAE and its Sub-Groups and informally through one to one meetings.

The Waste Management (Tyres and Waste Tyres) Regulations 2017 (S.I. No. 400 of 2017) were signed off by the Minister Denis Naughten and laid before both Houses of the Oireachtas on 15th September 2017. These Regulations which replaced the 2007 Regulations were the trigger for the commencement on 1st October, of Phase 2 of the scheme. This was a fundamental change for all stakeholders and introduced the payment of a vEMC as tyres are placed on the market for the first time and Repak ELT as the scheme, took on the responsibility of ensuring that end of life tyres are recovered and recycled in an environmentally sound manner.

The visible Environmental Management Costs (vEMCs) fund the scheme, covering the administration, communication, data management and the collection and processing/recovery/recycling costs associated with the management of end of life tyres. The vEMCs are ultimately paid by the consumer and replaced the informal tyre disposal charges which were already in place. It was a smooth transition from Phase 1 to Phase 2. From 1st October retailers started charging the vEMC on car tyres and there was no reported resistance or push back from Members of the public purchasing tyres.

Collection of waste tyres funded by Repak ELT also commenced on 1st October and operators in the tyre industry have signed up to the scheme in significant numbers. In summary, the early indications during Q 4 2017 have been positive and encouraging and a solid foundation has been built for the scheme. Repak ELT is optimistic that throughout 2018 it will consolidate, grow the scheme and build on the success to date.

Tony O' Sullivan



General Manager Repak ELT

SCHEME OVERVIEW AND OPERATION



Not for Profit

Repak ELT a - not for profit - company operates under approval from the Department of Communications, Climate Action and the Environment. (DCCAE)



Registered Collectors

Our network of 24 Repak ELT Registered Collectors collect and manage Members waste tyres and report on all collections.



Member compliance

We undertake our Members waste compliance obligations by managing their tyres at end of life through recovery and recycling.



Transparent Tracking

Member's tyres are tracked from when they first go on the market throughout their lifecycle to their removal from the waste stream.



vEMC

The visible Environmental Management Cost (vEMC) paid by Producers funds the tracking and management of Members tyres.

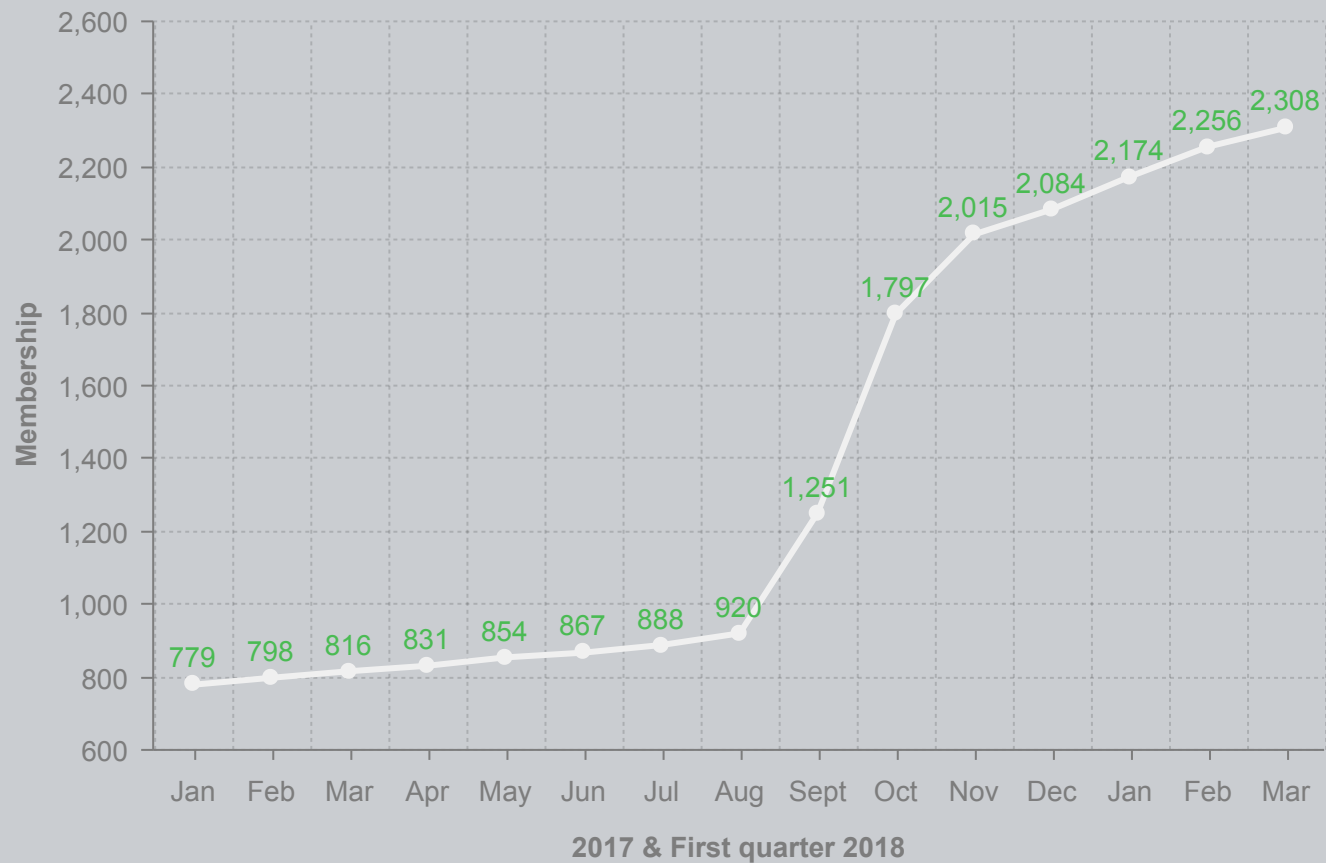


Environmental

All Member's tyres are documented as recovered and recycled before Collectors are paid for the waste they have managed.

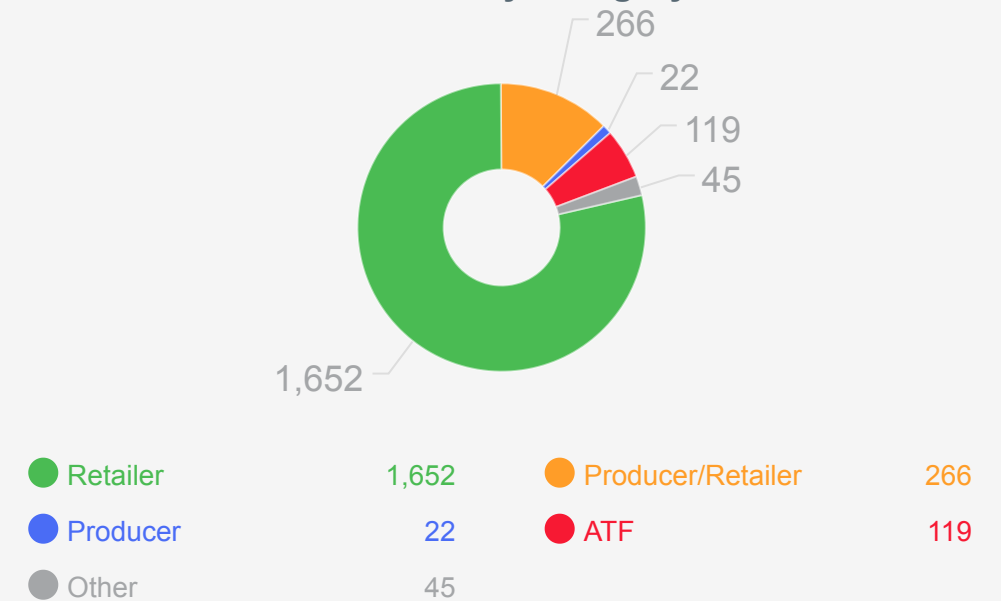
MEMBERSHIP

Repak ELT Membership



Spike in membership seen to coincide with the signing of the new Regulations in September.

Members by Category



ATF; Authorised Treatment Facility mainly dismantling end of life cars

Over 1K Members signed up after the Regulations were signed by Minister Naughton in September 2017. Reporting has proven to be quite successful with a compliance rate of over 77% of Members having completed their reporting obligations for the last 3 months of 2017.

Membership registrations and engagement reflect a positive level of compliance which continues to build throughout the industry. On 31st December 2017 Membership in Repak ELT was 2,084.

SCHEME ENFORCEMENT

Key goal

The success of Repak ELT is highly dependent not only on a robust legal framework but effective enforcement of the Regulations. All stakeholders during the planning stage emphasised how critical the enforcement regime would be to the scheme. A key goal for Repak ELT from the outset was to work towards providing a level playing field for compliant operators. The concern was that weak enforcement leads to high levels of non-compliance, which in turn increases the burden and cost of compliance for members of Repak ELT.

Progress

Repak ELT is pleased to acknowledge and report that significant progress has been made on the enforcement front. Throughout 2017 Repak ELT liaised closely on an ongoing basis with the Waste Enforcement Regional Lead Authorities (WERLAs) who have responsibility for co-ordinating waste enforcement actions within regions, setting priorities and common objectives for waste enforcement and ensuring consistent enforcement of the Waste Management (Tyres and Waste Tyres) Regulations 2017. This was in addition to the regular contact with the local authority enforcement officers who are the first responders on the ground to breaches of waste legislation.

National priority

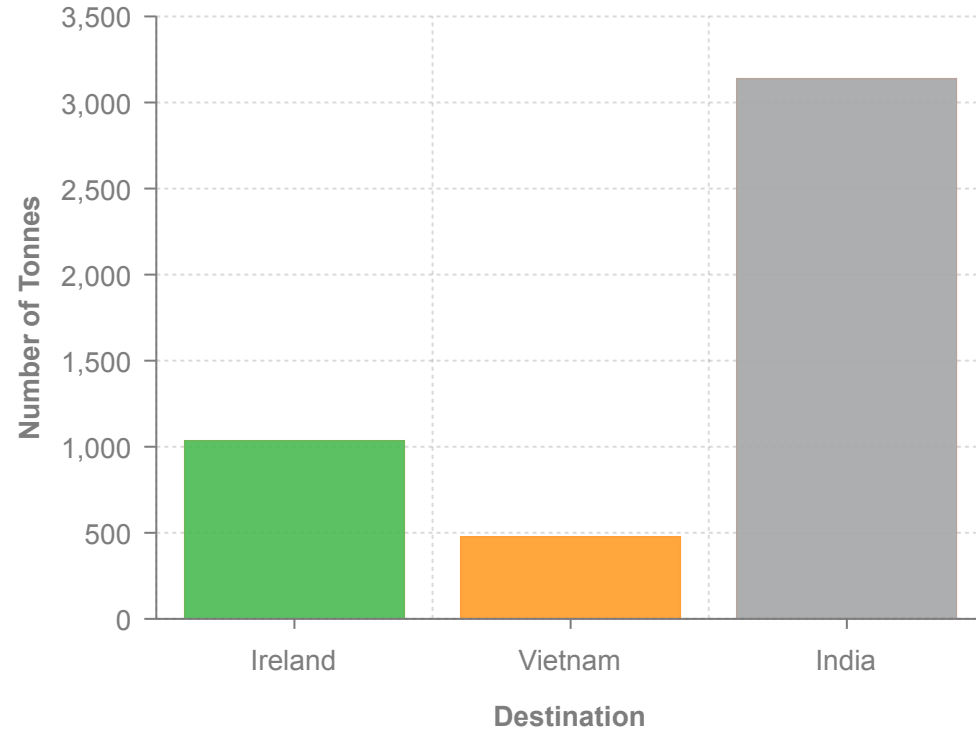
Enforcement of the Tyre Regulations is a national priority and this coupled with the multi-agency approach is paying off in delivering a more consistent and coordinated approach. The initial response of members has been positive, but there are significant enforcement challenges ahead and Repak ELT is committed to playing its part in supporting the enforcement authorities, to ensure there is an effective enforcement system in place.



COLLECTIONS

Of the 4,656 tonnes of tyres recycled and recovered 1,036 tonnes (22%) were dealt with in Ireland. The balance of 3,620 tonnes were exported to India (68%) and Vietnam (10%).

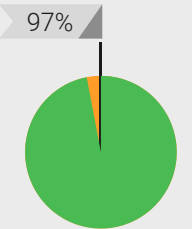
End Market Destinations (2017)



At the launch of the scheme on 1st October 2017, Ireland did not have infrastructure to process end of life tyres, however a facility was opened in November.

Repak ELT constantly monitors the flow of tyres to identify all areas where tyres arise as waste. In 2017 2.44m tyres were reported through the scheme, 2.39m of which were passenger car tyres.

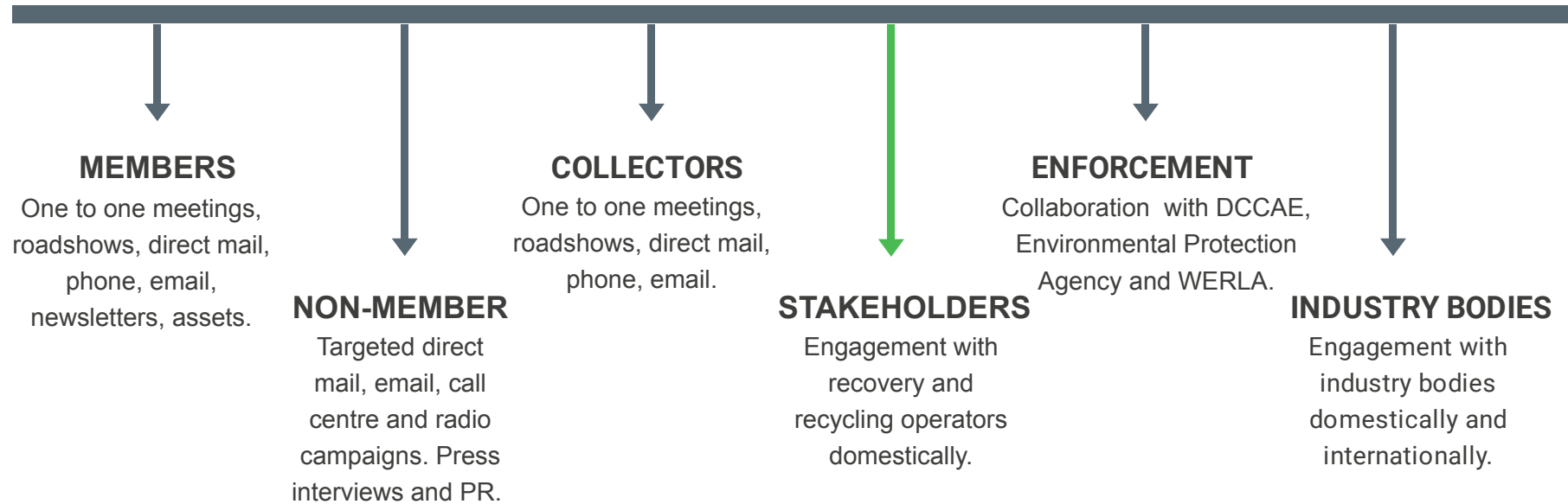
97% of members tyres were recycled and 3% went for recovery in 2017. This trend continued for Q1 2018.



Repak ELT Collection network

- Repak ELT has a network of 24 registered scheme Collectors.
- This network provides nationwide coverage and an efficient service for waste tyre collection to our Members.
- Collector reporting was satisfactory and all data is verified.
- Historic waste tyres placed on the market before the scheme were not funded by the scheme but were taken into account.
- Facilities in Ireland and India were audited in Q1 2018.

COMMUNICATION



- Our radio campaign targeted non-compliant tyre operators with a strong business to business recruitment message

B2B Radio campaign Sept –Oct 2017
1,067 spots ran
4 weeks
2.4 million Irish adults were reached

B2B Radio campaign Nov 2017
241 spots ran
1 week
1.3 million Irish adults were reached

- Two RTE News items ran for ELT in 2017 gaining considerable coverage. The PR value on these two press pieces has the equivalent advertising value of €198K and a consumer reach of 1.2M.

CHALLENGES AND GOALS

Traceability

Enhance the tracking of all tyres from being placed on the market to exit.

Reporting

Reporting compliance continues to strengthen as the scheme establishes itself.

Recruitment

To ensure all obligated persons join the scheme and complete compliance responsibilities.

Free Riders

Tyres entering the market which are not declared burdens the compliant industry.

vEMC for only two categories

Below cost collection of non vEMC tyres undermines the end of life process.



Lower vEMC

With the support of stakeholders lower the vEMC on established categories.

vEMC for all categories

To work with stakeholders to introduce the vEMC for the remaining tyre categories.

Circular Economy Principles

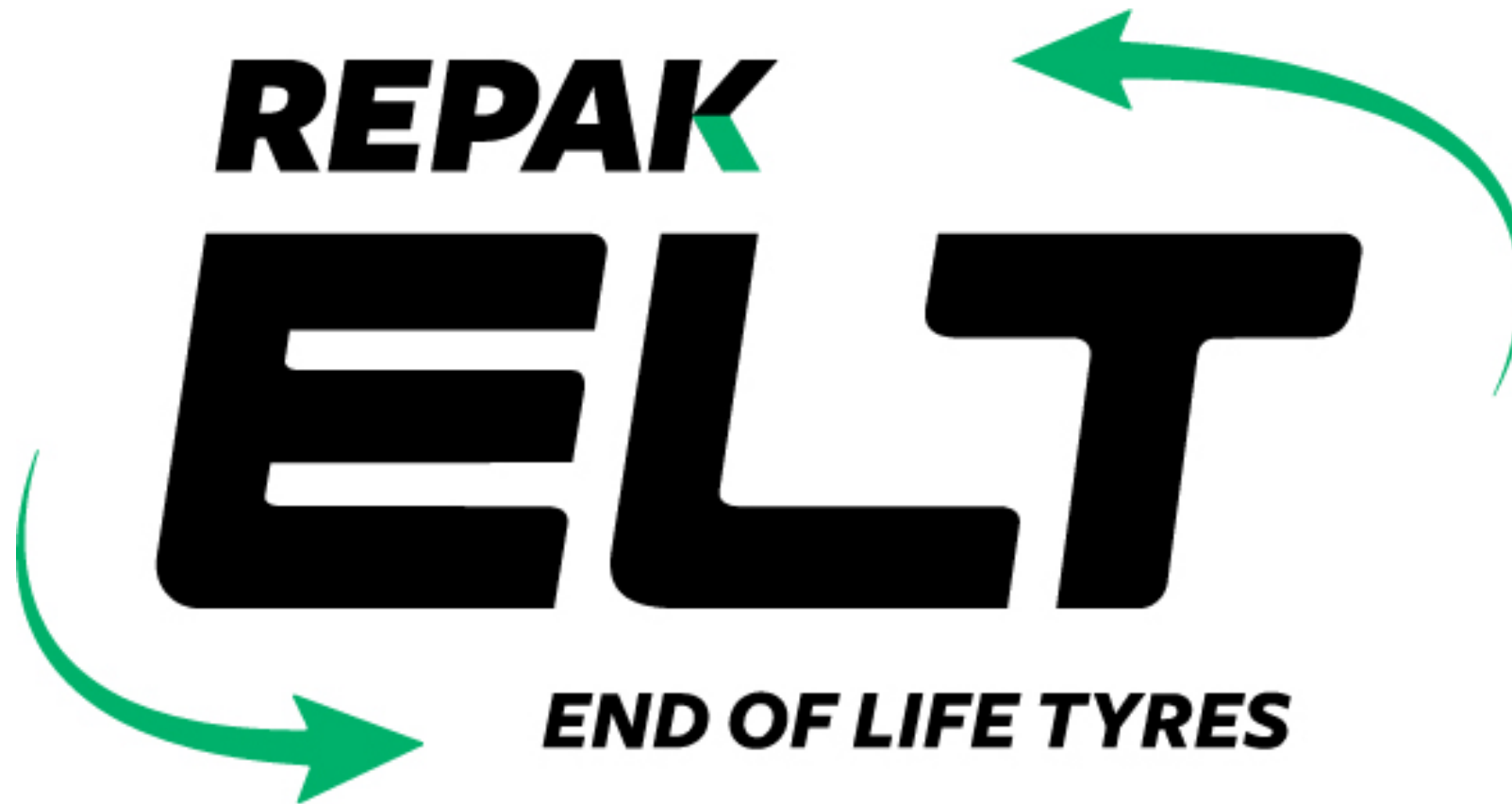
Develop sustainable options for end of life tyres as a resource promoting circular economy growth.

Culture of Compliance

Continue engagement with the WERLA and EPA to identify and register all obligated operators.

Environmental Problem

To eliminate all illegal tyre dumping.



www.repakelt.ie