European Recycling Platform

- Strategy, Business Model and Implementation Progress -
ERP Mission

The activities we start now will impact companies for several generations.

We need maximum flexibility to enable best business practice.
ERP Mission

We want to ensure the most **cost effective** WEEE implementation for the benefit of our customers and our companies, and secure **business opportunities and competitive advantages**.
WEEE Article 8.3:
“The responsibility for the financing of the costs of the management of WEEE from products put on the market before...("historical waste") shall be provided by... all producers, existing on the market when the respective costs occur, contribute proportionately, e.g. in proportion to their respective share of the market by type of equipment.”

Each producer is responsible for “historical waste” according to his “market share by weight”.

ERP founders: Braun, Electrolux, HP, Sony
**Example: Company A**

- Sold tonnage of products per category by company A: 1.000t
- Total tonnage of all companies per category: 25.000t
- Market share of company A (weight %): 4 %

- Total return rate per category: 10.000t
- Share of company A = 4%: 400t

⇒ Take-Back obligation of company A = 400t
WEEE Take Back Process from Private Households

Households → Municipalities / Retailer → Transport → Treatment & Recycling

Dispute at national level → Responsibility of producer → Reporting to Government

ERP founders: Braun, Electrolux, HP, Sony
WEEE Take Back Organisational Options

<table>
<thead>
<tr>
<th></th>
<th>Monopolistic (e.g. Belgium)</th>
<th>Competition (e.g. G, I, UK, Sp)</th>
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<tbody>
<tr>
<td>Control</td>
<td>Government or Government body</td>
<td></td>
</tr>
<tr>
<td>Logistics</td>
<td>Monopolistic system</td>
<td>System A  System B  System C</td>
</tr>
<tr>
<td>Treatment</td>
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</table>

ERP founders: Braun, Electrolux, HP, Sony
Why Competition Between Take Back Systems?

- Cost of monopolies is much higher than with competing systems
Packaging Take Back Cost in Germany

€ / t

End of 'Green Dot' Monopoly
Take Back Cost of Digital Cameras Belgium

- RECUPEL till 6/2004
- RECUPEL from 7/2004
- Manufacturer managed

Take Back fee / unit
Why Competition Between Take Back Systems?

- Cost of monopolies is much higher than with competing systems
- Flexible to act for changes
- Low administrative overhead
WEEE Take Back Process from Private Households

Operational alternatives

Monopolistic Consortium

(national*)
very often run by associations

Households → Municipalities / Dealers → Transport → Treatment & Recycling

Reporting to Government

* 25 national consortia for the EU

ERP founders: Braun, Electrolux, HP, Sony
WEEE Take Back Process from Private Households

Operational alternatives

Households → Municipalities / Dealers → WEEE-Take Back System A → WEEE-Take Back System B → ERP-Take Back System → Reporting to Government

ERP goal is to manage TB like any other part of the supply chain with providers of choice
WEEE Article 9 (waste from other than private households):

“financing of cost of… (Take Back) for products put on to the market after August 13th shall be provided by producers… For … (historical waste), financing of cost shall be provided by producers.

Producers and users other than private households may, without prejudice to this Directive, conclude agreements stipulating other financial methods.
WEEE Take Back Process from non-Households

Commercial customers

Transport

Treatment & Recycling

Households (and small/medium businesses)

Municipalities / Dealers

Transport

Treatment & Recycling

Reporting to Government

e.g. Brokers Employees

low tonnage / y

huge tonnage / y

ERP founders: Braun, Electrolux, HP, Sony
ERP Principle

Competition between take back systems will ensure lowest cost and highest quality.
History of ERP

Dec. 2002: Co-operation agreement signed by the four founder companies and notified to DG Competition

2003: Market analysis

April 2004: Business Case Analysis

Nov. 2004: ERP SAS founded

Dec. 2004: Contract with 2 General Contractors

Dec. 2004: Member process started
ERP Operational Principles

- Lean
- Outsourced
- Cost reduction as a principle

...... as we manage our internal supply chain.
Pan European Service Provider (2002)

Instead of working with National Consortia and national service providers the consideration was that a “pan-European” solution could provide significant financial synergies, because:

- The process to buy the services (logistic, recycling, admin) is always the same and not specific to countries. Due to this it should be possible to reduce overheads in the management structures significantly.

- A pan-European service provider would reach a significant “economy of scale” and would be able to buy services from the market at reduced conditions.

- A pan-European service provider would increase the “competitive pressure” to other service providers (consortia, companies) and would therefore increase the price-service pressure.
In 2002 a “pan-European” service provider did not exist. Existing recycling industry was not structured in a way, that it could be expected, that such a player would develop in a short period of time.

The “European Recycling Platform” (ERP) was established in 2002 based on a cooperation agreement signed between HP, Sony, Electrolux and Gillette/Braun to evaluate the alternative and to increase the competitive pressure in the “take back market”.

Based on the situation analysis, a business case study was launched in December 2003 to further evaluate the effect of “economy of scale”.
Assess the costs and flexibility merits of ERP vs. participation in National Consortia

**National Consortia model**
("Hands off")

- Regulator (Clearing house)
- Braun or Electrolux or HP or Sony
- National Consortium per country

**ERP model**
("Hands on")

- Regulator (Clearing house)
- Braun or Electrolux or HP or Sony
- ERP scheme
- Other ERP Partners

Scenarios Evaluation

Contractual relationship
Financial flow
Compliance reporting flow

ERP founders: Braun, Electrolux, HP, Sony
Scope: 10 countries, 5 WEEE categories, 480,000 tons

Conclusions:
- A pan-European take back system increases competitive pressure to all compliance schemes with the result
- Reduction of operational cost (> 30%)
- Reduction overhead cost (70-80%)
ERP Principles

ERP WEEE Compliance Scheme created in November 2004 as a branded, totally outsourced, first ever pan-European WEEE compliance scheme by design.

- ERP will outsource all operational activities to two “General Contractors”.
- ERP General Contractor must achieve always the best competitive price (per country/ product group).
- ERP will apply and hold license to be a registered “WEEE Compliance Scheme”.
- In order to maintain competition between take back system ERP will never be dominant in any market.
ERP SAS Structure

Shareholder Meeting
(bi-annual meetings)

Senior Management of the four shareholders

ERP Board of Directors

H. Korfmercher
Braun

V. Sundberg
Electrolux

K. Hieronymi
HP

J. McKie
Sony

National teams
A,D,Es/Pt,F,It,UK/Ir,Ps

Sub-committees
Contract Management
Communication team
Legal team

Member Forum
All Members

ERP founders: Braun, Electrolux, HP, Sony
General Contractor will design, establish, operate and manage all operations on the take back process.

General Contractor will serve any collection point where necessary to reach compliance.

**ERP – Country Scope**

- General Contractor CCR
- General Contractor Geodis

ERP founders: Braun, Electrolux, HP, Sony
ERP General Contractor

- ERP conducted an RFQ started June 9, 2004
  - Procurement and technical specialist as well as lawyers involved
  - 15 international companies applied
  - 5 were pre-selected
  - 2 contracts signed on November 24, 2004

- CCR Logistics AG
  - Munich based company, 2.6 M€/a turnover
  - General Contractor to major car industry in Europe on “waste from garages” since 1991
  - Manages business of approx. 150 M€/a.
  - Business standing (waste management) in D, A, It, UK, E, CH, P and F

- Geodis
  - Paris based logistic company; 3.5 bn€/a turnover, since 7 years experience of reverse logistic; joint venture with SITA (largest European Waste Company)
  - Business standing (waste management) in: F, UK, Ir, Es
ERP Service: WEEE from Private Household

- ERP is focused on collection and treatment of WEEE from private households. ERP through its GCs will offer to members:
  - Full service of pick-up, transport, treatment, recycling, disposal of WEEE according to the national legal requirements in the ERP scope countries
  - Compliance with all legislation around WEEE take back:
    - ERP will hold all required permits to be an accepted and authorized Compliance Scheme. ERP’s GC and their subcontractor will hold all operational permits.
    - Full reporting in order to achieve compliance towards the authorities
  - ERP will audit GCs activities and ensures, that the subcontractors are audited and benchmarked as well.
ERP Service: WEEE from non-Private Household

ERP through its GCs will offer to members:

- For WEEE that has migrated from commercial customers into households ERP will handle this similar as WEEE from private households.

- For service for commercial customers ERP members can negotiate with ERP’s GCs individual take back arrangements designed to the specific needs of their commercial customers situation. Due to the “economy of scale synergy“ this will provide the opportunity to achieve best competitive pricing.
<table>
<thead>
<tr>
<th>EU Member states</th>
<th>Legislation in place</th>
<th>Take back obligation</th>
<th>Producer registration</th>
<th>Producer to finance municipal collection</th>
<th>ERP permit process</th>
<th>ERP access to waste process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Y</td>
<td>Aug 05</td>
<td>June 2005</td>
<td>Done</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>N</td>
<td>Q1 2006</td>
<td>Q4 2005</td>
<td>Pending</td>
<td></td>
<td></td>
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<tr>
<td>Germany</td>
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<td>March 2006</td>
<td>Nov 05</td>
<td>Not required</td>
<td></td>
<td></td>
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<tr>
<td>Ireland</td>
<td>N</td>
<td>Aug 05</td>
<td>June 2005</td>
<td>Pending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>N</td>
<td>Q1 2006</td>
<td>Q1 2006</td>
<td>Pending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>N</td>
<td>Mid 2006</td>
<td>Mid 2006</td>
<td>Pending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>Y</td>
<td>Aug 05</td>
<td>June 2005</td>
<td>Done</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>Y</td>
<td>Aug 05</td>
<td>June 2005</td>
<td>In time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>N</td>
<td>Q1 2006</td>
<td>Q1 2006</td>
<td>Pending</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Red**: Not yet achieved; critical
- **Yellow**: On time but not yet achieved; to be monitored
- **Green**: Adopted; not critical

**Notes:**
- N: Not adopted
- Y: Adopted
- Q: Quarter
- M: Month
- D: Day
- Y: Yes
- N: No

**Legend:**
- EU Member states
- Legislation in place
- Take back obligation
- Producer registration
- Producer to finance municipal collection
- ERP permit process
- ERP access to waste process
ERP’s View on Collection

- ERP through its GC will service any municipal, retailer or other collection point as required in the national legislation.

- As the producer’s take back obligation is based on the weight sold per type of equipment the compliance process and operation shall mirror and correspond to this obligation.

- In principle the take back obligation remains on the level of ToE

- Any material collected and treated from any collection point by a producer / his compliance scheme shall be counted as a volume to achieve compliance.
ERP’s Relation to Retail and Other Channels

ERP offers retail and other channels a strategic partnership:

- ERP is willing to establish receiving centers to which retailers and other channel partners or their logistic partners can deliver WEEE, free of charge.

- ERP is willing to provide large containers (larger than 10 m³) on their sites, provided that they can accommodate it, free of charge.

- ERP will consider a more detailed collections service if requested, subject to commercial negotiation.

- If retailers have their own producer obligation, ERP could be a tool to resolve their obligation.

This offer is made to our retail and other channels partners. We believe that this is a practical approach to solve the important issues of WEEE for retailers and other channel partners.
ERP Pricing Principles

- In principle the ERP’s GC will charge the full service price to ERP members based on a €/t basis. The price will include all service (logistic, recycling, reporting, information, management).

- The price tariffs will reflect the collection situation (skips) in the country and the offer from competitive systems.

- ERP has an open-book policy with the GC and will monitor the cost structure for specified product groups in order to understand cost structures in the WEEE market.

- All members will pay the same price for the same service. ERP will publish the price tariffs to all members. A volume rebate is planned based on the principle “the more business, the less the price”.
ERP’s View on Invoicing

- ERP is designed that only the cost for processed waste stream is paid based on a €/t and pay-as-you-go principle.

- ERP’s General Contractor will invoice directly ERP members. There is no money accumulation on the central side.

- ERP’s price tariffs are following the market prices for the services, which are re-negotiated and adopted to the market situation on a quarterly basis.
ERP’s View on “Financial Guarantee”

- The “individual producer responsibility principle” which requires “financial guarantees” is implemented as an option in Germany. The situation in Italy and Portugal is still under verification. All other countries implement the “historical waste regime only”.

- ERP’s members decide which “financial guarantee” they want to use.

- ERP position is that no further financial guarantees are necessary, as each member pays based on his actual market share take back obligation.
ERP Member Strategy

- ERP is open for other companies to join as a member.

- ERP will limit the number of members to avoid any dominant position in the market (as we want to increase competition).
  - today ERP has a “WEEE market share” in Europe of around 15%
  - target is to reach 30%, which equals approx. 1 Mio ton of WEEE per year

- ERP is the only compliance scheme that follows the EU Competition Law by “self-assessment”.
ERP Membership - Process

1. Company indicates interest
2. Applicant receives Info-Package
3. LOI signed by both parties
4. Cartel Assessment
5. Signature of Member Agreement
6. Payment of ‘Joining Fee’
7. ERP Board Decision
8. ERP Member
Additional Value of ERP to Members

- ERP provides a platform for its members to exchange information about legislative developments in all EU 25 countries. This provides a strong “knowledge” power, which usually has to be bought from consultants, associations etc.

- ERP members share resources on lobbying to influence national legislation. This resource sharing based on ERP’s WEEE Implementation Principle adds to the internal efficiency of member companies.

- ERP provides strong joint voice in negotiations with all kinds of stakeholders in the “product take back development” and is seen as a competent partner. This reputation is a high added value on the image of member companies.
ERP Annual Membership Fees

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Criteria</th>
<th>€ / year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small companies</td>
<td>(selling up to 35K tons EEE in 9 ERP countries)</td>
<td>40.000</td>
</tr>
<tr>
<td>Medium companies</td>
<td>(selling up to 120K tons EEE in 9 ERP countries)</td>
<td>80.000</td>
</tr>
<tr>
<td>Large companies</td>
<td>(selling more than 120K tons EEE in 9 ERP countries)</td>
<td>140.000</td>
</tr>
</tbody>
</table>

- Membership fees will be revised according to the annual budget.
- ERP is a not-for-profit organisation.
- The membership fees paid by the members of ERP cover the administrative costs of running ERP.
- All operational costs for logistics and treatment of waste are handled directly between the member and the General Contractors.
Summary

- Competition between take back systems will ensure, that there is a continues price pressure on all operators in the WEEE take back process. It will avoid the “one-supplier-syndrom”.

- Competition between take back systems will provide us the option to choose the best service provider.

- Pan-European approach reduces the interfaces to national schemes and allows to achieve economy of scale and develop a cost-effective recycling network independent of country preferences.

- Operational cost charged directly from ERP’s General Contractors in €/t reduces overheads, avoids financial reserves and provides significant cost advantages compared to fee/unit charged by national consortia.
ERP’s General Contractors are set-up to achieve lowest cost

Lean overhead structure saves additional cost

ERP serves municipal, retailer and any other collection points where required. ERP will establish strategic partnerships with retailer.

Reduced take back cost is in the benefit of our customers and consumers.

Information sharing with other members concerning the stage of national legislation / implementation is an information power.