

Dear Exchange for Change team,

Thank you for submitting your revised application to be appointed as the Deposit Management Organisation (DMO) for Wales. The panel recognise and appreciate the further work that has gone into the revised submission.

In particular, the inclusion of material setting out the organisational information and supporting tables is helpful. There are however areas covered within the previous clarifications letter and in our meeting on 23 Feb which have not been addressed and where the Panel requires further clarity and supporting detail. This is crucial in order to understand how your proposed approach would deliver the Welsh scheme in order to be able to complete its assessment.

The information below is therefore intended to provide further information on these points. Importantly, this is not a request for additional narrative; rather, to be able to understand how the proposal reflected in the application will deliver the requirements of the scheme. In particular, this relates to the need to be able clearly assess the information and supporting evidence provided on how the scheme will deliver for Wales against the regulatory requirements, whilst being financially viable.

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### **1) Operational plan: clarity on how the scheme will operate in Wales in practice**

Across several parts of the application, important operational elements are described as matters that will be developed following appointment. While the Panel recognises that some implementation work will necessarily continue after appointment, there is a lack of detail on how the scheme is intended to function in practice from the go-live date.

In particular, more detail is needed on:

- Return point coverage and the approach to securing and maintaining appropriate return point provision in Wales against the requirements in the legislation.
- Servicing arrangements for rural and remote areas, including logistics and collection arrangements.
- The contracting approach and how performance will be monitored and managed.
- Clear delivery pathways for the in-scope materials, showing how operational arrangements interrelate in Wales.

Providing this additional operational clarity will assist the Panel in understanding your proposal's ability to deliver against the requirements successfully in the Welsh context.

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## **2) Glass and reuse: ensuring these are fully integrated into the Welsh delivery model**

The Panel remains concerned that glass and reuse are not recognised as integral to the successful delivery of DRS in Wales and it remains unclear how the proposed operating model can deliver against the requirements. The application would benefit from a clearer explanation of how glass and reuse are embedded across governance, funding, operational planning and delivery in Wales.

In particular, the Panel needs greater clarity on:

- How glass arrangements are integrated across the wider operating model (including return point implications and logistics) for Wales.
- How reuse is approached as a multi-material pathway (rather than being treated as a glass-only issue).
- How infrastructure and funding assumptions support reuse planning and delivery in Wales, including the delivery of trials and the gearing up for reuse roll-out.
- How the proposed arrangements for DMO Cymru relate to and are supported by the wider group's governance, operations and resourcing and how the two elements will work together in a way which ensures the delivery of the requirements for the scheme in Wales.

The Panel is seeking assurance that glass can be delivered credibly in Wales and that the arrangements described are workable at scale. It is also seeking clarity on the way in which the scheme administrator will work to trial and gear up to roll-out reuse and ensure the scheme is implemented in a way that will be ready to do so, thereby avoiding additional costs to industry.

These points reflect the requirements that the Welsh scheme must collect glass and support a clear transition to reuse.

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## **3) Financial plan and viability: clarity, coherence and justification**

The Panel requires a clearer, more coherent explanation of the financial position for the proposed Wales arrangements, including how the proposal is intended to be financially sustainable in practice

To support this, the application would benefit from:

- A clear, balanced business plan (encompassing the arrangements proposed to be within the DMO Cymru) that sets out the assumptions to deliver no less than a break-even profit and loss account and recurring net assets over the nine years.

- Transparent explanation and justification of key assumptions (including producer fee assumptions and how these relate to volumes);
- Clarification of the underpinning rationale for retained earnings, reserves and the treatment of any surplus (including how decisions are made and what governance applies);
- Greater clarity on funding sources, financing assumptions, and how liquidity and contingency are managed in practice. It should be noted that there is an incorrect assumption in the application regarding the funding for infrastructure and glass. Reuse is not solely associated with glass; rather, it is a multi-material approach that encompasses a wider range of materials. Ensuring that the scheme infrastructure is prepared to facilitate the roll-out of reuse across all relevant materials is a fundamental aspect of the scheme as a whole and not limited to glass alone.

This detail is necessary for the Panel to understand your proposal's financial viability and risk, and to provide Ministers with appropriate assurance.

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#### **4) Governance and legal entity structure: removing ambiguity and making accountabilities clear**

The current presentation of the legal entities and their responsibilities would benefit from further clarification, particularly where different functions (including glass and reuse) are described as sitting in different parts of the group.

The Panel is seeking a clear explanation of:

- Which entities exist (or will be created), and their respective responsibilities.
- How the UK DMO and DMO Cymru relate to one another in practice (governance, decision-making, and accountability) and how their respective roles will be brought together to deliver a coherent, unified scheme to citizens in Wales.
- How funding flows, cost recharging and intra-group arrangements operate, and how these will support effective delivery in Wales against the requirements.

In addition, it would be helpful to understand how the proposed structure will ensure the scheme is responsible for all materials within scope, including glass and reuse, and will report and be accountable for performance delivered in Wales across those materials.

A simplified diagram, supported by a short-written explanation of roles, responsibilities, and decision-making rights, would help provide clarity and assurance.

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## **5) Demonstrating understanding of Wales' requirements and policy intent in the design**

The Panel continues to seek clearer evidence that the Welsh scheme requirements and operating context are understood and reflected in the design, and given the nature of the structure proposed, how the risk of arrangements for Wales becoming an add-on to arrangements for the rest of the UK will be mitigated.

To support this, the application would benefit from:

- Clear articulation of how the requirements will be delivered through Wales-specific processes and delivery mechanisms.
- An explanation of how the scheme will deliver a seamless experience to citizens in Wales and clearly demonstrate the benefits against the current position in Wales, where recycling of all in scope materials is already at a high rate.
- Evidence that design choices, assumptions and mitigations are grounded in the Welsh context (including local authority delivery landscape, rurality, and Welsh language considerations).
- Demonstration that the proposal will fully deliver the requirements within the regulations.

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### **Practical next steps (how to provide the information)**

To support a consistent and evidence-based assessment, please provide your response by submitting an updated version of the completed application document by COP on the 10 March, with the points above addressed within the relevant sections and any supporting annexes clearly referenced.

A meeting has been scheduled for 9 March at Welsh Government offices, Cathays Park which provides an opportunity to discuss and further clarify the points covered above.

Thank you again for your continued engagement. We remain committed to running a fair and transparent process, and to ensuring the Panel has the information required to complete its assessment and provide Ministers with a clear, evidence-based recommendation.

Yours sincerely,  
Ashley J Davis  
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Welsh Government