

Criteria and Application for Financial support in

Separation, Collection, Sorting, Mechanical Recycling or End-use Development Projects of post-consumer polyolefin plastic packaging

For the growth in the recycling of PP, HDPE, LDPE and LLDPE post-consumer packaging materials in South Africa

Background

Polyco was established in 2011 by the major plastics packaging converters of South Africa, to promote and grow the collection, sorting and recycling of post-consumer PP, HDPE, LDPE and LLDPE packaging materials. This is required of this industry sector in terms of its obligations to the South African government under extended producer responsibility (EPR).

Polyco's income is derived from its member companies by means of a voluntary recycling levy on all polyolefins purchased for use in the packaging industry in South Africa. Polyco will use these funds to support polyolefin collectors, sorters, recyclers and those businesses involved in recycled polyolefin product development and end-use growth. Funds will also be allocated to support Reclamation of Energy projects in order to deal with the non-recycled polyolefins which currently go to landfill.

Funding mechanisms have been created to provide financial assistance to companies who best meet the qualifying criteria outlined in this document, which under specific circumstances will result in the growth of post-consumer polyolefin recycling. The document also reviews how, and who may apply for financial assistance, and under what conditions this assistance will be granted.

Polyco Project Support Proposal submissions process:

1. Polyco will inform the various industry bodies of the Project Support Proposal request and submission deadline through an electronic mailer – in order for them to inform their members, thereby giving access to a greater number of potential applicants who meet the financial support criteria.
2. A cutoff date for submissions will be stated and no applications received after this date will be eligible for evaluation or support.
3. A sub-committee of Polyco, which may include certain of its Board members, will evaluate all applications against the stipulated project support criteria.
4. A short-list will be compiled of the most eligible effective projects.
5. The applicants who do not qualify to receive Polyco financial support, as they do not best meet the Project Support criteria, will be notified in writing at this time.

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6. The applicants who have been selected onto the short-list, will be notified that a further evaluation process will occur before the Board decision is made.
7. Site visits to the short-listed applicants' business premises will be conducted to gain additional understanding of the support request, if required.
8. The proposed short-list will be shared with the full Polyco Board for final approval.
9. After final Board approval, the companies who best qualify with the stipulated support criteria to receive Polyco financial support will be contacted and met with, to complete the contract requirements.

Project Support Performance Contracts:

Once the Project Evaluation Committee has identified the projects that best meet the relevant support criteria, Polyco will enter into an agreement with those qualifying companies, and this agreement will stipulate how and when such assistance will be provided.

1. Such an agreement will be entered into entirely at the discretion of Polyco.
2. It is also required that all applicants are to be paid-up members of an industry organization for the duration of the funding support period, where such an organization exists, for example, SAPRO. It is acceptable for applicants to sign up and become new members at this time and still be eligible for funding support.
3. Polyco and the applicant will sign a confidentiality agreement, to the effect that neither party may disclose any details of the agreement or the proposed business venture without the consent of the other party.
4. The successful applicant will agree to Polyco being able to publicize the Support Project, without providing any of the financial details as stipulated in the Confidentiality Agreement.
5. It should also be understood by all applicants that financial assistance will only be provided, under the conditions laid out in the agreement, and will be subject to full disclosure by the applicant, of financial and other detail, as and when this may be required by Polyco.
6. The successful applicant will agree to an independent 3rd party audit prior to project close out.
7. Financial assistance for projects proposed may take the form of:
 - a) A **Capital Interest Free Loan** over a **36 month repayment period**, commencing 6 months after the signing of the contract. A **suretyship**, either **personal or corporate**, is required as well as a **notarial bond** being registered over the funded assets.
 - b) A **Capital Grant**, where agreed contracted volumes are amortized over a **36 month period**, commencing 6 months after the signing of the contract.

Recycling Project Categories Overview

Overall, the system caters for three distinct categories of projects:

1. Supply Chain Efficiency Projects
2. End-Use Development/Consumer Projects
3. Quality Testing Equipment

1. **Supply Chain Efficiency Projects (Recycling)**

This category is aimed at maximizing the sustainable growth in the production volume of mechanically recycled polyolefin plastics. These projects could also include support for recycler sourcing initiatives or contracted collections, if post-consumer polyolefin packaging feedstock is the major supply chain constraint.

These include:

- Support to purchase minor capital equipment to overcome current supply chain constraints
- Support for the recyclers' in-house or contracted collection of new sources of separated and sorted polyolefin packaging material in order to grow their recycled tonnes production volumes.

This category applies to existing projects, where the aim is to expand an existing recycling operation in order to grow the polyolefin tonnes recycled.

IMPORTANT

- ❖ **These projects must deliver a growth in recycled post-consumer polyolefin packaging material volumes to meet the desired R/ton investment criteria.**
- ❖ **The total funding support request for a Supply Chain Efficiency Project cannot exceed R5million, however, funding provided will be entirely at the Polyco Board's discretion.**

2. **End-Use Development / Consumer Projects**

These are projects focused on increasing the recycled content in existing commercial products, with the aim of replacing virgin material or other material types.

These could include:

- Equipment for the processing of recycled polymer to produce a commercially viable end-use product.

IMPORTANT

- ❖ **Proof of consumption of recycled polymer in the product will need to be provided (a minimum content of 30% is required). Product sales volumes and recycled polymer content need to be sufficient to meet the desired R/ton investment criteria.**

3. **Quality Testing Equipment**

These projects cater for those applicants wishing to substantially improve the consistency in the quality of their final product in order to better meet the needs of their end customer. By providing Certificates of Conformance (COC), new, more demanding market end uses can potentially be accessed, resulting in better margins for the recycler. One of the aims of providing a consistent quality product is to be able to increase the ratio of recycled product to virgin product in the manufacture of end products.

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This project funding support caters only for the procurement of equipment necessary to improve the consistency in quality of the recycled polyolefin plastic.

These include but are not limited to:

- A Melt Flow Index (MFI) tester
- Tensometer
- Impact Strength Tester.
- Moisture tester

Collection, Separation and Sorting Project Category Overview

Supply Chain Efficiency Projects (Collection, Separation and Sorting)

This category is aimed at contributing to the growth of sustainable, on-going collection and sorting of polyolefin plastic packaging. These include:

- The installation of new collection and sorting infrastructure and equipment
- The increased utilization and upgrade of existing collection and sorting infrastructure and equipment
- Support for the implementation of new separation-at-source programs, or the support of existing initiatives.
- Support to purchase minor equipment to overcome current supply chain constraints
- Provision of support to Community-based projects to grow separated collection volumes

It could apply equally to existing projects, where the aim is to expand an existing collection and sorting operation, or it could apply to a completely new venture.

IMPORTANT

- ❖ **These projects must deliver a significant growth in separated, collected or sorted post-consumer polyolefin packaging material volumes and meet the desired R/ton investment criteria.**
- ❖ **The total planned investment spend on equipment in a Supply Chain Efficiency Project should not be in excess of R2million.**

Project Support Business Principles

In all cases, the following basic principles will be applied:

- a) The project must under normal business conditions be economically viable.
The intention of any financial assistance, being in the form of capital loan, is not to turn an inherently unprofitable business into a profitable one.
- b) It is not Polyco's intention to negatively influence or alter any market dynamics in terms of supply, pricing or competition in the waste collection and sorting or recycling industry.
- c) In its funding support, Polyco will seek to not undermine the relative technological or market advantage that any one participant may enjoy over the other. Where this may in fact occur, external and expert opinion will be sought.

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- d) The project plan must specify in detail the additional source of post-consumer recyclate (PCR) that will be used as feedstock for the increased recycling plant capacity.
 - i) A major goal of Polyco is to increase the recycling of PCR, and Polyco will not provide funding support that simply enables a recycler to pay more for PCR than is being paid at any point in time by another recycler.
 - ii) The applicant will need to satisfy Polyco that a new source of PCR has been secured to supply the increased recycling plant capacity. This needs to apply across the life of the project support contract, and will in all likelihood take the form of a contract or supply agreement between the recycler, collector and/or even landfill operator(s).
- e) Polyco will not fund collection of materials, which could result in later disposal into landfill as a consequence of poor management practice or which will be exported for value-adding processing out of SA unless dictated by market influences.
- f) Consideration needs to be given to the disposal of non-recyclables. It must be treated with sensitivity and disposed of in an environmentally sound, safe manner.
- g) Polyco-supported projects will need to comply with its governing Code of Conduct.
- h) All Polyco supported projects, and their strategic intent, will be in alignment with Polyco's 5-Year Plan.

Funding exclusions:-

1. We do not fund start-up operations,
2. We do not fund operational expenses,
3. We do not fund working capital,
4. We do not fund vehicles including forklifts.

Contact Details and Deadlines for Proposals

The Completed application forms are to be e-mailed or faxed directly to Polyco.

Contact details Polyco:

Mrs. Mandy Naudé
Polyco CEO
Cell: + 27 78 451 6625
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OR

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OR

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OR

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Projects will be considered for support only where the application includes all the required information as detailed in the Application Guidelines.

Deadline for proposals was **9th June 2017.**

No late submissions will be accepted.

You will be notified in writing by a Polyco representative of whether your application has been selected onto the short-list of potential projects within five weeks of submission closing date. A further six week evaluation and selection process of the short-listed projects will follow, before Polyco Board approval of the final selected projects to receive funding support.

Disclaimer

POLYCO takes no responsibility for applications that are lost, delayed, misdirected or incomplete or cannot be delivered or entered for any technical or other reason.

POLYCO does not accept responsibility for any damage, loss, liabilities, or disappointment suffered by applicants in applying and also disclaim any liability for any injury or damage to applicants or any other person resulting from application or downloading any materials in connection with the application.

POLYCO accepts no responsibility for costs incurred by applicants in making an application.

POLYCO reserves the right for any reason and without cause to amend the terms and conditions or to change the application process or deadlines by notice.

The selection of the successful applicants is entirely within the discretion of the POLYCO Board. Neither unsuccessful nor successful applicants shall have any claim whatsoever against POLYCO in respect of their applications and / or for any reason related thereto.