

2015

Product Care Association 2015 Annual Report to Waste Diversion Ontario



Table of Contents

1	Overview	3
2	Program Performance.....	3
2.1	Program Tonnes Collected July to December	3
2.2	Program Tonnes Recycled July to December.....	3
2.3	Collection Performance by Channel	3
2.4	Program Effectiveness Per Capita Chart	4
3	Supply Chain Update.....	4
3.1	Supply Chain Stability.....	4
4	Accessibility Update	5
4.1	Collection System.....	5
5	Steward/ISP Participant Update	6
5.1	Steward transition from IFO to ISP	6
5.2	Program Product Review	6
6	Promotion and Education	6
6.1	Advertising and Activities.....	6
6.2	Website Performance Measures	7
6.3	Social Media Performance Measures	8
6.4	Point of Sale Material Requests Fulfilled	8
7	Other Updates.....	8
7.1	PCA Ontario Office	8
7.2	PCA Interim Lamp Program.....	8
7.3	Pesticides Solvents and Fertilizers	9
8	Financials.....	9
9	Appendix	i
9.1	Appendix A.....	i
9.2	Appendix B	ii

1 Overview

On December 10, 2014, Waste Diversion Ontario (WDO) approved the Product Care Association (PCA) Industry Stewardship Plan (ISP) for the management of end-of-life paints and coatings. On March 25, 2015 WDO announced the effective date of the PCA Paint ISP as June 30, 2015.

This annual report is submitted to WDO pursuant to s. 6.5 of the WDO-PCA Industry Stewardship Plan agreement between PCA and WDO. This report covers the period June 30, 2015, when the ISP started, to December 31, 2015.

2 Program Performance

From June 30 to December 31, 2015, 5,364 tonnes of paints and coatings were collected through the municipal and retail channels which represents a collection rate of 120%. Due to the mid-year program start with PCA, 2015 collected tonnes were adjusted to reflect only PCA's portion of the paints and coatings collected. Program paint collected before June 30, 2015 but picked up after June 30, 2015 was removed from PCA's tonnes and provided to Stewardship Ontario. Based on the diversion reports, 3,438 tonnes of paints and coatings were recycled since June 30, 2015.

2.1 Program Tonnes Collected July to December

A	B	C	D	E=D/A
2015 Available to Collect Tonnes	2015 Collection Target Rate	2015 Collection Target Tonnes	Actual 2015 Collected Tonnes	Actual 2015 Collection Rate
4,466	77%	3,439	5,364	120%

2.2 Program Tonnes Recycled July to December

F	G	H=G/A
2015 Recycling Target Rate	Actual 2015 Recycled Tonnes	Actual 2015 Recycling Rate
62%	3,438	77%

2.3 Collection Performance by Channel

Type	YTD Tonnes Collected	% of Tonnes Collected
Depot	3,828	71.4%
Events	827	15.4%
Return to Retail	709	13.2%

2.4 Program Effectiveness Per Capita Chart¹

Metric	Q3-Q4 2015 Target (KG/capita)	Q3-Q4 2015 (KG/capita)
Collected	0.25	0.39
Recycled	0.20	0.25

3 Supply Chain Update

PCA assumed the entire paint and coatings collection system from Stewardship Ontario as of June 30, 2015. PCA adopted SO's transportation, processing and collection standards and required each service partner to provide copies of Environmental Compliance Approvals, certificates of insurance, valid business licence, WSIB clearance certificate and PCA's audit checklist in order to become an approved service provider with PCA. At the time of the June 30, 2015 transition 18 transporters and 6 processors were approved.

3.1 Supply Chain Stability

There were no service interruptions in the municipal or return to retail channels as a result of the transition of the paint program in 2015. PCA identified and resolved outstanding service issues in order to maintain stable program operations while collecting data to better understand opportunities for improvement.

3.1.1 Consultation with Service Partners

PCA maintained open channels of communication with all service providers by phone, by email and conducted site visits. PCA is planning more site visits with municipalities, service providers, and return to retail participants in 2016.

3.1.2 Transportation & Processing

All Paint processors and transporters who were approved to transport and process paint with Stewardship Ontario were invited to participate as service providers to the ISP. A total of 18 transporters and 7 processors were approved for the PCA program as listed in **Appendix A**, and 10 transporters indicated they were no longer interested in participating. After the program launch an additional service provider was approved to process aerosols.

3.1.3 PCA Reporting Portal

PCA developed an online system for municipalities and service providers to submit their service claims to PCA. The reporting portal launched June 30, 2015 and, for ease of transition, was designed to be similar to the reporting portal service partners previously used with SO. PCA held training sessions for all service partners before the effective date and continues to provide support. PCA began discussing the portal expansion for pesticides, solvents and fertilizers (PSF) with the municipal transition committee in late 2015 in preparation for the April 1, 2016 effective date of the PSF ISP.

¹ Population estimated from Statistics Canada, CANSIM, table 051-0001, Last Modified: 2015-09-29

3.1.4 Lab pack Studies

Lab pack sampling by a third party is used to develop factors which are then applied to determine the cost share between stakeholders where Municipal Hazardous and Special Waste(MHSW) products are collected in commingled containers. PCA has committed to continue with the lab pack study protocol. PCA met with the municipal MHSW working group in 2015 to discuss the lab pack study process. PCA attended the lab pack study conducted on behalf of SO in late 2015 which was part of the study to determine 2016 lab pack factors. SO announced the 2016 labpack factors on December 22, 2015.

4 Accessibility Update

PCA assumed responsibility for the municipal and retail collection site networks as of the paint ISP effective date. PCA contacted each site to confirm contact information and ongoing participation.

4.1 Collection System

4.1.1 Municipalities

PCA worked with the municipal MHSW working group to develop a standard form PCA-Municipal ISP services agreement. PCA distributed agreements to 120 municipalities, covering 88 depots and 122 events, prior to the paint ISP transition date. A variety of methods were employed to communicate with municipalities with regard to the execution and return of the agreement by the ISP effective date, as well as to obtain other information required for the PCA database. In 2015 PCA also entered into new agreements with 1 municipality and 1 first nations group for collection events, increasing the number of municipalities participating in the program to 122. By the end of 2015 approximately 95% of municipalities had executed the agreement with PCA and were actively participating in the program. PCA continues to reach out to those municipalities who have not signed their agreement or completed the onboarding activities.

4.1.2 Return to Retail

During the transition of the program operation from SO to PCA, a number of retailers expressed interest in joining the return to retail (R2R) collection system for paints and coatings. PCA expanded the retail collection network by adding 19 new sites in 2015. These sites were on-boarded with a Retail Collection Site Guide and linked to the transporter that services their area. PCA has verified the retail collection site list since the transition and removed 7 paint collection sites as they were no longer participating in the program.

4.1.3 Paint ISP Collection System 2015

	Municipal Depots	Municipal Events	Commercial/Return to Retail (R2R)
Program launch actual	88	122	177
Added during 2015		+2	+19
Removed during 2015			-7
Net change		+2	+12
2015 year end actual	88	124	189

5 Steward/ISP Participant Update

5.1 Steward transition from IFO to ISP

PCA, WDO and SO agreed on a process to transfer stewards to PCA. The main criteria for stewards wishing to transfer to the new paint program was to be in “good standing”, meaning a steward who is current with its financial and reporting obligations to Stewardship Ontario. At the time of the June 30, 2015 effective date, 98% of Ontario paint stewards, by market share, had transferred to PCA. After the paint ISP effective date three stewards were approved to join the ON Paint Program. See **Appendix B** for a full list of PCA paint members. As of December 31, 2015, 68 paint stewards had joined the PCA paint ISP representing approximately 99% of the paint market share.

PCA provided support to stewards transitioning to PCA from SO. PCA held a training session for all members in the PCA paint ISP to explain the function of the online reporting system, as well as a comparison of the SO and PCA programs. PCA has followed up where necessary for reports and remittance to the program.

PCA developed Reporter-Supplier agreements and reporting to be used by supplier-customer pairs of stewards where the customer provides sales data to the supplier to enable the supplier to report sales to the program.

5.2 Program Product Review

After the transition, PCA received a request from members for clarification of a coatings product definition. PCA researched the range of products and after consultation with the stewards, developed and has disseminated a “decision tree” methodology to assist stewards in determining product inclusions.

6 Promotion and Education

6.1 Advertising and Activities

1. **Targeted SEM Campaign- YP Group.** October, November and December 2015.
 - a. Ontario-specific digital advertising campaign serving PaintRecycle ads to provincial residents based on an extensive list of key word searches relevant to the program.
 - b. Over 300,000 impressions delivered nationally in Q4 2015
 - c. Insight: many Ontarians are engaging with messaging around PaintRecycle based on keywords related to purchasing new paint (versus keywords related to recycling paint)
2. **Digital Retargeting Campaign- YP Group.** October, November and December 2015.
 - a. Ontario-specific digital retargeting campaign serving PaintRecycle ads to all users who have visited our website as they continue to surf the Internet (ads served to a “pre-qualified” user who has engaged at some point with our website)
3. **Gated Facebook Content Strategy.** October, November and December 2015.
 - a. Regularly scheduled Ontario-specific content, available only to residents of that province, focused on paint recycling, special waste and the recycling community in general, as well as the PCA brand identity. Ontario has climbed into third largest social media audience (behind BC and QC) in the few short months that we have been running campaigns there
 - b. 8,211 page likes (at time of this report)
 - c. Setup included program informational rack cards for takeaway
4. **Municipal Calendar Full-Page Advertising.** Ongoing.

- a. PCA PaintRecycle was advertised in 100% of Ontario municipal calendars, using the largest available format, matching or exceeding historical presence of SO

6.2 Website Performance Measures

6.2.1 Website Traffic Overview

Parameters:

- Ontario pages of PCA website only
- Pages with 20 or more views only
- General site traffic (news, homepage, events, about, careers, etc.) is NOT included in these analytics

Metric	Q3: July 1 to Sept 30, 2015	Q4: Oct 1 – Dec 31, 2015
Sessions (Visits)	9,847	8,581
Returning Visitors (%)	74.4%	28.5%
New Visitors (%)	25.6%	71.5%
Average Visit Duration	00:01:05	00:01:44
Average Page Views	2.55	2:36

Audience Source:

Metric	Q3: July 1 to Sept 30, 2015	Q4: Oct 1 – Dec 31, 2015
Organic (search) Traffic	22%	23%
Referral Traffic	46%	38%
Direct Traffic	31%	37%
Social (e.g. Facebook)	1%	2%

- [organic] – Visitors referred by an unpaid search engine listing, e.g. a Google.com search.
- [referral] – Visitors referred by links on other websites (see below).
- (direct)[(none)] – Visitors who visited the site by typing the URL directly into their browser. 'Direct' can also refer to the visitors who clicked on the links from their bookmarks/favorites, untagged links within emails, or links from documents that don't include tracking variables (such as PDFs or Word documents).

Top Traffic Referral Sources (Oct 1 - Dec 31, 2015):

Linking Site	Organization	% of ON Referral Traffic
makethedrop.ca	Stewardship ON	24.0%
regionofwaterloo.ca	Region of Waterloo	2.7%
davidsuzuki.org	David Suzuki Foundation	2.0%

6.3 Social Media Performance Measures

Parameters:

- Total Facebook Activity for the Quarter (PCA national page, not regional)
- New fan acquisition for the Quarter only
- ReGeneration Facebook page

New Facebook Page Likes	Total Reach	# of Impressions
1,144	106,099 (Ontario Only)	324,953 (National)

Total Current Facebook Page Likes: 8,211

6.4 Point of Sale Material Requests Fulfilled

PCA distributed point of sale materials to all Ontario paint retailers by direct mail and made materials available to interested municipalities digitally.

To date, municipalities have not placed orders for program POS. All municipalities have received instructions on how to review and order available materials.

7 Other Updates

7.1 PCA Ontario Office

In March 2015 PCA opened an office in Ontario located at 180 Atwell Drive, Toronto, near Toronto Pearson airport. PCA Ontario staffing includes a director, program coordinator and claims analyst. PCA will adjust staffing levels as programs develop.

7.2 PCA Interim Lamp Program

On July 17 2014 the Ontario Ministry of the Environment and Climate Change (MOECC) announced termination of the Municipal Hazardous and Special Waste (MHSW) – phase 2 funding a year early, on Sept 30, 2014. MOECC invited industry to voluntarily provide MHSW phase 2 funding, pending proposed changes to the extended producer responsibility legislative framework. PCA operates programs for lighting products in several provinces, and presented a funding concept to Ontario stakeholders at the October 2014 meeting organized by MOECC.

Following discussions with municipal representatives, PCA developed an interim program plan, funded by PCA, to cover municipal and return to retail post-collection costs of MHSW phase 2 lamps: residential use fluorescent light bulbs and tubes. The program duration is limited to \$1 million of funding or 12 months from the June 1, 2015 effective date requested by the municipalities. PCA consulted with municipalities to develop the funding agreement and the program timeline.

There are 83 municipal depots, 65 retail locations participating as collection sites in the program as well as 101 municipal events occurred from June to December 2015. PCA administers the program funding, providing updates and reminders to municipalities. It is expected the program funding will be depleted by May 31, 2016.

7.3 Pesticides Solvents and Fertilizers

PCA resubmitted its Pesticides, Solvents and Fertilizer (PSF) Industry Stewardship Plan to Waste Diversion Ontario (WDO) on May 15, 2015. The PSF ISP was approved by WDO board October 28, 2015 with an effective date of “no sooner than Jan. 1, 2016”.

WDO formed a PSF transition committee of representatives including municipalities and municipal associations, WDO, Ontario Waste Management Association, Stewardship Ontario and PCA which met on December 7, 2015. Transition issues were discussed. PCA continues to work with the municipal MHSW working group to ensure a successful uninterrupted transition of the PSF supply chain from Stewardship Ontario, the Industry Funding Organization (IFO) to PCA. PCA will expand the PCA service partner claims reporting portal to include PSF.

8 Financials

**PRODUCT CARE ASSOCIATION
ONTARIO PAINTRECYCLE PROGRAM**

STATEMENTS OF REVENUES AND EXPENSES

31 DECEMBER 2015 AND 2014

**PRODUCT CARE ASSOCIATION
ONTARIO PAINTRECYCLE PROGRAM**
Statements of Revenues and Expenses
For the years ended 31 December 2015 and 2014

Contents

Independent Auditors' Report	
Statements of Revenues and Expenses	4
Notes to the Statements of Revenues and Expenses	5



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INDEPENDENT AUDITORS' REPORT

To: Waste Diversion Ontario

As required by the Waste Diversion Act 2002, S.O. 2002, (c.6 (s.33(2(2))))), we have audited the Statements of Revenues and Expenses of the Ontario PaintRecycle Program (the "Statements") as reported by Product Care Association for the years ended 31 December 2015 and 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Statements

Management is responsible for the preparation of the Statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of the Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the Statements present fairly, in all material respects, the revenues and expenses of the Ontario PaintRecycle Program as reported by Product Care Association for the years ended 31 December 2015 and 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Restriction on Distribution

This report is prepared on the direction of Product Care Association's management and Waste Diversion Ontario. As a result, the report may not be suitable for another purpose. Our report is intended solely for Product Care Association's management and Waste Diversion Ontario, and should not be distributed to other parties.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
23 March 2016

**PRODUCT CARE ASSOCIATION
ONTARIO PAINT RECYCLING PROGRAM**
Statements of Revenues and Expenses
For the years ended 31 December 2015 and 2014

	2015	2014
Revenues	\$ 8,007,555	\$ -
Program expenses		
Processing	3,218,116	-
Collection	2,851,191	-
Transportation	1,066,032	-
Depreciation	32,726	-
	<u>7,168,065</u>	<u>-</u>
General and administrative expenses		
Administration (Note 1)	215,487	214,142
Management	218,963	-
Communications	42,827	-
Overhead allocation (Note 2(d))	621,839	-
	<u>1,099,116</u>	<u>214,142</u>
Total expenses	<u>8,267,181</u>	<u>214,142</u>
Deficiency of revenues over expenses for the year	\$ (259,626)	\$ (214,142)

The accompanying notes are an integral part of this statement of revenues and expenses.

**PRODUCT CARE ASSOCIATION
ONTARIO PAINTRECYCLE PROGRAM**
Notes to the Statements of Revenues and Expenses
For the years ended 31 December 2015 and 2014

1. Basis of Presentation

These Statements include the revenues and expenses (the "Statements") of the Ontario PaintRecycle Program (the "Program"), which commenced operations as a segment of the operations of Product Care Association (the "Association"), on 30 June 2015. Amounts presented in the 2014 fiscal year represent start-up costs incurred prior to commencement of the programs operations.

2. Summary of Significant Accounting Policies

These Statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue Recognition

Eco-fees are received from members of the Association within the province of Ontario. The Association recognizes these fees as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Eco-fee revenues are recognized as individual members report and remit them as required by applicable provincial environmental legislation.

(b) Intangible Assets

Intangible assets are recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rate is as follows:

ERP System	5 years
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(c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies at the date of the balance sheet. Accounts subject to significant estimates include revenue accruals, expense accruals, depreciation and overhead allocation. Actual results could differ from those estimates.

(d) General and Administrative Expenses - Overhead Allocation

A portion of the total general and administrative expenses of the Association, net of expense recoveries, has been allocated to this program. The allocation of general and administrative expenses to this program is determined using the percentage of program specific operating expenses as compared to total operating expenses for all the Association's programs.

9 Appendix

9.1 Appendix A

Service Providers

Company Name	Paint Transporter	Paint Processor	Aerosol Transporter	Aerosol Processor
Aevitas Inc.	T		T	
Brendar Environmental Inc.	T		T	P
Buckham Transport Ltd.	T		T	P
Cardinal Couriers Ltd.	T			
Clean Harbors Inc.	T			
Drain-All Ltd.	T		T	P
GFL Environmental Inc.	T		T	
Hotz Environmental Services Inc.	T	P	T	P
Loop Recycled Products Inc.		P		
Miller Environmental Corporation	T		T	P
OWL Environmental Inc.	T			
Photech Environmental Solutions	T		T	P
Potter Environmental	T			
Quantex Technologies Inc.	T		T	
Raw Materials Company Inc.	T		T	
Safety-Kleen Brampton	T			
Safety-Kleen Brantford	T			
Safety-Kleen Chelmsford	T			
Safety-Kleen London	T			
Safety-Kleen Oshawa	T			
Safety-Kleen Ottawa	T			
Terrapure Environmental (Formally Newalta)	T		T	
Tomlinson Environmental Services (Formally Scotts Environmental)	T			
Veolia Environmental - Timmins	T			
Veolia ES Canada - Chatham	T			
Veolia ES Canada - Ottawa	T			
Veolia ES Canada - Pickering	T			
Veolia ES Canada - Quebec	T			

9.2 Appendix B

PCA Paint Members

Member Number	Company Name
1848	(DJBM Enterprises Ltd) DBA Pharmasave Home Health Care
2218	3600106 Manitoba Inc. o/a Piston Ring
1005	3M Canada Company
998	7594828 Canada Inc. (o/a TruServ Canada)
2289	AD Fire Protection Systems Inc.
2205	Alex Milne Associates Ltd.
1215	Alexandria Moulding
1749	BASF Canada Inc.
2228	Bass Pro Canada ULC
1018	Behr Process Corp.
1019	Benjamin Moore & Co. Ltd.
2226	BestBuy Distributors Ltd
2208	Bridgestone Canada Inc., Firestone Building Products Canada Division
2204	Canadian Auto Stores Ltd
978	Canadian Building Restoration Products, Inc.
1089	Canadian Tire Corporation, Limited
2031	Canpro Decorating Products Inc.
1060	Cansel Survey Equipment Inc.
2235	CertainTeed Gypsum Canada, Inc.
1239	Chalifour Canada Ltd.
2234	Class C Solutions Group, MSC Industrial Supply LLC
1016	Cloverdale Paint Inc.
991	CRC Canada Inc.
2227	Custom Building Products Canada Ltd
1295	Denalt Paints Ltd.
2214	Dominion Sure Seal Ltd.
1014	Dynamic Paint Products Inc.
1084	Farrow & Ball Canada Ltd.
2121	Fastenal Canada Ltd.
2207	G.F. Thompson Co. Ltd.
1104	General Motors Corporation
2222	GH INTERNATIONAL SEALANTS ULC
981	Henry Company Canada, Inc.
2203	Hi! Neighbor Floor Covering Co. Limited
1172	Home Depot of Canada Inc.
1051	Home Hardware Stores Limited

1268	IKEA Canada Limited Partnership
2239	Jaguar Land Rover Canada ULC
1013	K-G Spray-Pak Inc.
1003	Kleen-Flo Tumbler Industries Ltd.
2198	Korzite Coatings Inc.
2220	Kubota Canada Ltd
1830	Lee Valley Tools Ltd.
1968	Loop Recycled Products Inc.
1049	M G Chemicals Ltd.
2231	Macdonald and White Paint Co.
1274	Michaels Stores Inc.
2224	NCH Canada Inc.
1203	Peintures MF Inc.
1133	Plasti Kote Co., Inc. (Valspar)
1226	PPG Architectural Coatings Canada Inc.
1126	Princess Auto Ltd.
2242	PROTEK PAINT LTD
2122	Quikrete Canada Holdings Limited
1010	Recochem Inc.
2233	Regional Automotive Warehousing Ltd
1170	Rona Inc.
1038	Rust-Oleum Consumer Brands Canada
1199	Selectone Paints Limited
2217	Solignum Inc.
1189	The Sansin Corporation
1048	The Sherwin-Williams Company
2215	Torcan Coatings Inc.
2248	Tremco Canada Division, RPM Canada
1000	Walmart Canada Corp.
1221	Wood Essence Distributing
2236	YHD DISTRIBUTORS INC.
2303	Orgill Canada Hardlines ULC