

Product Care Association Ontario Industry Stewardship Programs 2019 Annual Report

Submitted to:

Resource Productivity & Recovery Authority



productcare.org

Product Care Association of Canada,
180 Attwell Dr., Suite 380, Toronto, ON, M9W 6A9

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1 Background

On November 30, 2016, the Resource Productivity and Recovery Authority (“Authority”) was established under the new Waste-Free Ontario Act, 2016 (WFOA). Any reference to the Authority includes references to Waste Diversion Ontario in accordance with the WFOA, 2016, schedule 1, Part III section 21(2).

On December 10, 2014, the Authority approved the Product Care Association (PCA) Industry Stewardship Plan (ISP) for the management of end-of-life paints and coatings. On March 25, 2015 the Authority announced the effective date of the PCA Paint ISP as June 30, 2015. On October 28, 2015 the Authority approved PCA’s ISP for the end-of-life management of Pesticides, Solvents and Fertilizers (PSF) and on December 17, 2015 announced the effective date for the PSF ISP as April 1, 2016.

This annual report is submitted to the Authority pursuant to s. 6.5 of the Authority-PCA Industry Stewardship Plan agreement and covers the period January 1, 2019 to December 31, 2019.

2 2019 Highlights

There were 15 new steward registrations with Product Care’s Ontario’s Industry Stewardship Plans (the “PCA ISPs”) in 2019. In 2019 PCA held a webinar with PCA members and provided them with program updates as well as updates on the new Ontario waste legislation and ongoing consultations.

By 2019 year end, the collection system for the PCA ISPs consisted of 99 municipal depots, 298 municipal events and 324 non-municipal sites. Excluding program material sold to Stewardship Ontario (SO), the program collected 9,739 tonnes of waste paint, 25.4 tonnes of pesticides, 220 tonnes of solvents and over 26.5 tonnes of fertilizers in 2019. In addition, there were 6,341 tonnes of paint and 1.3 tonnes of solvents recycled in 2019

PCA continued its outreach to non-municipal collection sites (return to retail) soliciting feedback to improve program efficiencies. PCA conducted 3 lab pack studies to inform the 2020 lab pack factors, municipal representatives were invited to observe.

There were 22 municipal depots participating in the Ontario PaintShare (formerly Paint ReUse) program which collected over 22,200 containers (101 tonnes) of paint for reuse.

Product Care supported promotional and educational activities for program materials through advertising activities such as digital marketing and municipal calendars, Product Care's website and social media through Facebook and Twitter.

3 Program Performance

2019 target tonnages for paint and for PSF are apportioned between PCA and Stewardship Ontario (SO), therefore the tonnages reflected in table 3.1 are the net quantities retained by PCA (see section 7.2 for further information). SO requested to purchase a fixed number of Paint tonnes for 2019 and PSF tonnes collected were apportioned based on PCA's and SO's respective annual steward market shares.

PCA exceeded the collection target for paint and pesticides in 2019. Solvents did not meet the collection targets which was established in the Final Consolidated MHSW Program Plan. The main factor was the continued reduction of obligated solvents found in the waste stream. There is no collection target for fertilizers.

Almost 1,500 more tonnes of paint was recycled in 2019 vs. 2018, which increased the recycling rate to 68% compared to 53% the previous year.

Product Care continues to search for efficient ways to improve the recycling rate of one gallon hybrid paint cans (plastic cans with metal rims/handles). In 2019 metal paint cans were recycled at the rate of 95% and hybrid paint cans and plastic pails recycled at 51%, and the resulting recycling rate for all paint containers was 82% (by weight). PCA continues to work with several plastics recyclers to improve the recycling rate of hybrid paint cans with paint residues. In 2019 PCA implemented monthly monitoring of paint recycling rates to identify and respond to challenges in a timely fashion.

3.1 2019 Program Tonnes Collected

| | A | B | C=AxB | D | E=D/A | |
|-------------|-----------------------------|------------------------|--------------------------|--------------------------------------|------------------------|------------------------------------|
| Materials | Available to Collect Tonnes | Collection Target Rate | Collection Target Tonnes | Actual Tonnes Collected ¹ | Actual Collection Rate | Prior year (2018) Tonnes Collected |
| Paint | 9,272 | 95% | 8,809 | 9,739 | 105% | 9,926 |
| Pesticides | 25 | 59% | 15 | 26.4 | 106% | 18.6 |
| Solvents | 1,180 | 48% | 566 | 220.3 | 19% | 248 |
| Fertilizers | 13 | n/a | n/a | 26.5 | 204% | 23.3 |

1. "Actual Tonnes Collected" excludes tonnes sold to SO.

3.2 2019 Program Tonnes Recycled

| | F | G | H=G/A | |
|-------------|-----------------------|------------------------|-----------------------|-----------------------------------|
| Materials | Recycling Target Rate | Actual Recycled Tonnes | Actual Recycling Rate | Prior year (2018) Tonnes Recycled |
| Paint | 76% | 6,341 | 68% | 4,873 |
| Pesticides | n/a | n/a | n/a | n/a |
| Solvents | 4.8% | 1.3 | 0.11% | 2.9 |
| Fertilizers | n/a | n/a | n/a | n/a |

2. "Actual Paint Recycled Tonnes" does not include paint collected but not processed in 2019

3.3 PaintShare Program

In 2019 there were 22,204 containers of paint given away to consumers at collection sites participating in the Product Care PaintShare program which represents approximately 101 tonnes of paint and the container in which it is contained. PCA will continue to promote the PaintShare program and monitor its performance.

4 Stakeholder Consultation

4.1 Member Webinar

Throughout 2019, Product Care kept its members updated via the productcare.org website on MHSW transition issues as well as new regulations for Electrical and Electronic Equipment which includes lights. Product Care also held a member webinar on September 11, 2019 providing program updates, as well as information relating to the MHSW transition and new regulations.

4.2 R2R Collection Site Feedback

PCA is in constant contact with all return to retail (R2R) collection sites, to ensure service provider performance and customer service standards are maintained and to identify opportunities for improvement. PCA conducted several on-site R2R visits to confirm R2R service levels and to identify potential improvements to the R2R supply chain. Overall, in 2019, the feedback from R2R sites was positive and constructive. Any issues raised were dealt with immediately. PCA plans to continue communicating with R2R sites and R2R service providers on a regular basis throughout 2020 to ensure the effective performance of the R2R collection system.

5 Supply Chain Update

5.1 Service Provider Set Up

In 2019, the PCA ISPs utilized 17 service providers providing transportation and processing services as summarized in Appendix A. There were no changes in approved transporters and processors in 2019.

5.2 R2R Transportation and Processing Services

Product Care continued to explore improvements in the R2R supply chain. Product Care worked closely with a major retail chain with regard to the design of a reusable metal collection container for implementation in 2020.

5.3 Audits & Site Visits

In 2019, Product Care conducted activities to monitor supply chain performance, to ensure the accuracy of diversion reports and to verify that program standards and guidelines were followed. Activities included service provider and collection site visits and sampling of metal and plastic can recycling and non-program materials at paint processors.

5.4 Lab Pack Studies

In 2019, Product Care conducted lab pack studies to determine the 2020 Lab Pack Factors following the accepted study methodology. Product Care was provided the sampling data (over 20,000 line items) by the contractor for the study, Immacutec, and analyzed the data to classify obligated and non-obligated materials for each type of lab pack. The lab pack study details and final results, including the calculated 2020 lab pack factors, were reviewed with and accepted by a municipal representative and take effect as of January 1, 2020. The results are listed below:

| Lab Pack Type | 2020 Municipal Share | 2019 Municipal Share | 2020 Steward Share | 2019 Steward Share |
|------------------------------------|----------------------|----------------------|--------------------|--------------------|
| Pesticide | 84.84% | 89.66% | 15.16% | 10.34% |
| Misc. Organics (includes solvents) | 94.07% | 92.83% | 5.93% | 7.17% |
| Fertilizer | 91.09% | 79.86% | 8.91% | 20.14% |
| Aerosols | 48.64% | 50.80% | 51.36% | 49.20% |

6 Accessibility Update

6.1 PCA ISPs Collection Network

| | Paint Collection Sites | | | PSF Collection Sites | | |
|------------------|------------------------|-------------|------|----------------------|-------------|------|
| Type | 2019 Annual Target | 2019 Actual | 2018 | 2019 Annual Target | 2019 Actual | 2018 |
| Municipal Depot | 145 | 99 | 98 | 175 | 98 | 97 |
| Municipal Events | 500 | 298 | 311 | 525 | 298 | 311 |
| Return to Retail | 450 | 324 | 320 | n/a | n/a | n/a |

6.2 Municipal Collection Sites

In 2019 there was one (1) new municipal depot added to the PCA ISP collection system and 13 fewer events compared to the previous year. There were several municipalities with changes (increase or decrease) in the number of events, the most significant being the City of Stratford with 14 less events compared to 2018.

6.3 Non-Municipal Collection Sites

In 2019, Product Care added 11 new Return to Retail (R2R) collection sites to the network, including 7 Home Hardware, 1 Canadian Tire, and 3 Habitat for Humanity stores. Taking into account 7 R2R sites that left the program, there was a net increase of 4 R2R collection sites compared to 2018. PCA continues to discuss R2R expansion with retail chains and individual stores across Ontario.

7 Steward/IFO/ISP Updates

7.1 Steward Transition from IFO to ISPs

There were 15 new PCA members added to the PCA ISPs in 2019. As of the end of 2019 there were 100 paint members, 22 pesticide members, 79 solvent members and 18 fertilizer members registered as participating in the PCA ISPs. Note that some companies are in multiple programs. A list of ISP members is provided in Appendix B.

Throughout 2019, PCA continued to follow up with Ontario paint and PSF stewards who expressed interest in transitioning from SO, the Industry Funded Organization (IFO), to the PCA ISPs as well to recruit stewards that were new to the market.

In addition, PCA regularly followed up with members on reporting requirements and performed member audits in accordance with PCA's Membership Agreement.

7.2 Supply Chain Cost Share between the ISO and IFO

For paint, PCA has operated the entire supply chain since July 1, 2015 and for PSF since April 1, 2016.

PCA and SO agreed to extend the cost sharing agreement related to the PSF program operations to the end of 2019. Supply chain costs are apportioned between PCA and SO based on actual PSF steward market share.

PCA does not have a cost sharing agreement with SO for paint. PCA has sold to SO the number of tonnes of paint SO has requested. PCA sold three tonnes of paint to

SO for the 2019 year. In 2019, at the direction of RPRA, SO purchased its market share of paint tonnage collected by Product Care for the period July 1, 2015 to December 31, 2016. At the same time RPRA conducted a reconciliation for subsequent years resulting in minor adjustments.

8 Promotion and Education

In 2018, Product Care Recycling implemented a number of different tactics to raise consumer awareness for Ontario's paint recycling and pesticides, solvents and fertilizers (PSF) recycling programs in accordance with regulatory requirements. The following sections provide details regarding the communication and public education for the program in 2019.

8.1 Program Awareness

In November 2017, Product Care commissioned research firm MarketQuest-OmniFacts (MQO) to conduct an awareness study for the paint and PSF programs in Ontario, polling 1,000 residents, on their knowledge and habits related to recycling these product streams. The survey revealed that 55% of Ontario residents are currently aware of a program in Ontario that recycles paint and 52% are aware of a program that recycles PSF.

8.2 Website

In January 2019, the regeneration.ca website was replaced with the new Product Care website, productcare.org. The new website reflects a refreshed, consolidated brand focused on an improved user experience for consumers, industry and members. Similar to regeneration.ca, the Product Care site includes the following bilingual content for the Ontario paint and PSF recycling programs:

- Recycling locator (a map displaying the recycling locations and drop-off events)
- Recycling locations' hours and operations
- The paint and PSF programs' accepted and not accepted products
- Program member support centre with news and updates
- Consumer videos showing the product management approach for paint
- Other information (e.g. a description of the PaintShare program, frequently asked questions, information about buying and storing paint)

To best identify website activity from Ontario, this section's statistics use three parameters:

- Only traffic from Ontario was considered. All other provinces (and non-Canadian locations) were excluded from data extraction
- Ontario traffic to all sections of the website (news, home page, recycling locator, about, etc.) were included in the analytics
- Traffic between January and December 2019 was considered

2018 Website Traffic Overview:

| Metric | Traffic From Ontario Users (includes regeneration.ca [Jan 2019] and productcare.org data [Jan to Dec 2019]) |
|--------------------------------|--|
| Sessions (Total Visits) | 60,494 |
| Returning Visitors (%) | 21.4% |
| New Visitors (%) | 78.6% |
| Average Visit Duration | 00:00:50 |
| Average Page Views per Session | 2.5 |

Top Traffic Referral Sources (Q1 – Q4):

| Linking Site | Organization | % of ON Referral Traffic |
|-----------------|----------------|--------------------------|
| canadiantire.ca | Canadian Tire | 37.78% |
| facebook.com | Facebook | 11.76% |
| ottawa.ca | City of Ottawa | 11.26% |
| london.ca | City of London | 6.01% |

8.3 Point of Sale (PoS) and Point of Return (PoR) Materials

In 2019, Product Care distributed both PoS and PoR materials as requested by retailers and recycling locations. The following materials are available for reorder through the online order form:

- Rack card
- Poster
- Floor decal

8.4 Digital Advertising and Activities

1. **Google Search Advertising Campaign:** January to December, 2019
 - a. An Ontario-specific search advertising campaign served paint, PaintShare and household hazardous waste ads to provincial residents based on an extensive list of keyword searches relevant to the programs.
 - b. Ontario's ads were the most viewed and clicked out of all Product Care provinces and programs, collectively generating 61,010 impressions and 9,316 clicks.
2. **Facebook Advertising Campaign:** January to December 2019
 - a. Organic Facebook content targeted to Ontarians focused on paint recycling, reuse, special waste and the recycling community in general. In 2019, Ontario had the second largest Facebook audience by province, second only to BC.
3. **Municipal Calendar Advertising:** Paint and PSF recycling ads ran in the largest possible format in all Ontario municipal calendars for municipalities who collaborate with Product Care and have requested support.
4. **CPCA Publication Print Advertising:** An inside cover print ad was featured in CPCA Insight Trade Publication. Seven thousand copies were distributed to industry members.

9 Appendices

9.1 Appendix A – Service Providers

| PCA Service Provider List | | | | | |
|--|-------|----------|------------|----------|-------------|
| Company Name | Paint | Aerosols | Pesticides | Solvents | Fertilizers |
| Aevitas Inc. | T | T | T | T | T |
| Brendar Environmental Inc. | T | T/P | T/P | T/P | T/P |
| Buckham Transport Ltd. | T | T/P | T/P | T/P | T/P |
| Cardinal Couriers Ltd. | T | | | | |
| Clean Harbors Inc. | T | | T/P | T/P | T/P |
| Drain-All Ltd. | T | T/P | T/P | T/P | T/P |
| Envirosystems Inc. (formerly Hotz Environmental) | T/P | T/P | T/P | T/P | T/P |
| GFL Environmental Inc. (formerly Potter Environmental) | T | T/P | T/P | T/P | T/P |
| Loop Recycled Products Inc. | P | | | | |
| Miller Environmental Corporation | T | T/P | T/P | T/P | T/P |
| OWL Environmental Inc. | T | | | T | |
| Photech Environmental Solutions | T | T/P | T/P | T/P | T/P |
| Quantex Technologies Inc. | T | T | T | T | T |
| Raw Materials Company Inc. | T | T | T | T | T |
| Safety-Kleen Brampton | T | | | T | |
| Safety-Kleen Brantford | T | | | T | |
| Safety-Kleen Chelmsford | T | | | T | |
| Safety-Kleen London | T | | | T | |
| Safety-Kleen Oshawa | T | | | T | |
| Safety-Kleen Ottawa | T | | | T | |
| Terrapure Environmental (formally Newalta) | T | T | T/P | T/P | T/P |
| Veolia Environmental - Timmins | T | | T | T | T |
| Veolia ES Canada - Chatham | T | | T | T | T |
| Veolia ES Canada - Ottawa | T | | T | T | T |
| Veolia ES Canada - Pickering | T | | T | T | T |
| Veolia ES Canada - Quebec | T | | T | T | T |

T=Transporter, P=Processor

9.2 Appendix B – ISP Registered Members

| PCA ISP Registered Members | |
|---|--|
| 108787944 Canada Inc | Canpro Decorating products Inc. |
| 1439174 Ontario Ltd dba NLS Products | CANRAD BEAUTY Ltd |
| 3600106 Manitoba Inc o/a Piston Ring | Cansel Survey Equipment |
| 3M Canada Company | CBR Products |
| Acklands-Grainger Inc | CertainTeed Gypsum Canada, Inc. |
| AD Fire Protection Systems Inc | Class C Solutions Group, MSC Industrial Supply LLC |
| Alex Milne Associates Ltd. | Cloverdale Paint Inc. |
| Alexandria Moulding | Comfort & Stuff imports Ltd |
| Altrom Canada Corp. | Commercial Oil Company of Hamilton Inc. |
| Amazon.com.ca, Inc. | COSTCO WHOLESALE CANADA LTD |
| Avanti Sports Group Inc. | Country Chic Paint |
| BASF - The Chemical Company | CRC Canada Inc. |
| Bass Pro Canada ULC | Custom Building Products Canada Ltd |
| Beauty Systems Group (Canada) Inc. | Darch Fire Incorporated |
| Behr Process Corp. | Denalt Paints Ltd |
| Benjamin Moore & Co. Ltd. | Diamond Vogel Paints Inc |
| Bestbuy Distributors Ltd | Dominion Sure Seal Ltd. |
| Bolts Plus Inc. | Dow Building Solutions |
| Brett-Young Seeds Limited / Semences Brett-Young Limitee | Dynamic Paint Products Inc. |
| Bridgestone Canada Inc, Firestone Building Products Canada Division | Empack Spraytech Inc. |
| Brock White Construction Materials | Essendant Canada Inc |
| Cabela's Retail Canada Inc | EVERGUARD COATINGS INTERNATIONAL LTD. cob NIAGARA PROTECTIVE COATINGS |
| Canadian Auto Stores Ltd | Farrow & Ball Canada Ltd |
| Canadian Tire Corporation, Ltd. | Fastenal Canada Ltd |

| PCA ISP Registered Members | |
|---|--|
| FCA Canada Inc. | Loblaw Companies Ltd |
| FGL Sports Ltd. | Loop Recycled Products Inc. |
| General Motors Corporation | LOVELAND PRODUCTS CANADA INC. |
| GH INTERNATIONAL SEALANTS ULC | Lowe's Companies Canada, ULC |
| GS Distribution Inc | M G Chemicals Ltd. |
| Henkel Cda Corp. Consumer Adhesives | Martin & Associates Ind |
| Henry Company Inc | Michaels Stores Inc. |
| Hi! Neighbor Floor Covering Co. Limited | Modern Sales Co-op-Auto Sense Parts |
| Home Depot of Canada Inc | Nawkaw Corporation |
| Home Hardware Stores Limited | NCH Canada Inc. |
| Hotz Environmental Services Inc. | Nordstrom Canada Inc |
| IKEA Canada Limited Partnership | Oatey Canada Supply Chain Services |
| Ikea Supply AG | Omer DeSerres Inc. |
| Industrial Choice Supply | Orgill Canada Hardlines ULC |
| ITW construction products a division of ITW Canada Inc. | PartSource Inc. |
| Jaguar Land Rover Canada ULC | Patene Building Supplies Ltd |
| John Deere Canada ULC | Peintures MF Inc. |
| K-G Spray-Pak Inc | Permatex Canada Inc. |
| King-O-Matic Industries Limited | Popular Garden Centre |
| Kleen-Flo Tumbler Industries Ltd. | PPG Architectural Coatings Canada Inc. |
| KLONDIKE Lubricants Corporation | Prema Canada ULC |
| Korzite Coatings Inc. | Premier Tech Home & Garden |
| Kubota Canada Ltd | Princess Auto Ltd. |
| Lawson Products Inc | PROTEK PAINT LTD |
| Lee Valley Tools Ltd. | PSC-Power Source Canada Ltd |
| Les Produits Techni-Seal Inc. | Quikrete Canada Holdings Limited |

| PCA ISP Registered Members | |
|---|--------------------------------------|
| Radiator Specialty Company of Canada | The Houtshop Inc. |
| Recochem Inc. | The Sherwin-Williams Co. |
| Regional Automotive Warehousing Ltd | Timber Pro Coatings Ltd. |
| Rochester Midland Ltd | Toolway Industries Ltd. |
| RONA Inc. | Torcan Coatings Inc. |
| Rust-Oleum Consumer Brands Canada | Toyota Canada Inc. |
| S.C. Johnson & Son, Limited | Tremco Canada Division, RPM Canada |
| Saman Corporation (3777472 Canada Inc.) | UAP INC. |
| Sansin Corporation | Uline Canada Inc. |
| Schwartz Chemicals | Valvoline Canada-Div. Ashland Canada |
| Scotts Canada Ltd. | Volkswagen Group Canada Inc. |
| Selectone Paints Limited | W.H. Lubricants Ltd. |
| Sherwin-Williams Canada Inc | Wallace & Carey Inc. |
| Shrader Canada Limited | WalMart Canada Corp |
| Solignum Inc. | WD-40 Company (Canada) Ltd. |
| Solstrand Trading Inc | Wood Essence Distributing |
| Spar Roofing & Metal Supplies Ltd | Wurth Canada |
| STIHL Limited | YHD DISTRIBUTORS INC. |
| Sto Canada Ltd | |
| Surekiller Products Limited | |
| Suzuki Canada Inc. | |
| Tenaquip Limited | |

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND
FERTILIZERS PROGRAM**

STATEMENT OF REVENUES AND EXPENSES

31 DECEMBER 2019

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM
Statement of Revenues and Expenses**
For the year ended 31 December 2019

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ROLFE, BENSON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

1500 – 1090 West Georgia Street
Vancouver, B.C. V6E 3V7
Tel: 604-684-1101 Fax: 604-684-7937
E-mail: admin@rolfebenenson.com

INDEPENDENT AUDITORS' REPORT

To: Resource Productivity & Recovery Authority,

Report on the Audit of the Statement of Revenues and Expenses

Opinion

As required by the Waste-Free Ontario Act, S.O. 2016, (C.12 - Schedule 2 (s.30(2(3))))), we have audited the Statement of Revenues and Expenses of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program (the "Statement") as reported by Product Care Association of Canada (the "Association") for the year ended 31 December 2019 and a summary of significant accounting policies and other explanatory information.

In our opinion, the Statement presents fairly, in all material respects, the revenue and expenses of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program for the year ended 31 December 2019 in accordance with Canadian Accounting Standards for Not-For-Profit Associations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Restriction on Distribution and Use

This report is prepared on the direction of Product Care Association of Canada's management and the Resource Productivity & Recovery Authority. As a result, the report may not be suitable for another purpose. Our report is intended solely for Product Care Association of Canada's management and the Resource Productivity & Recovery Authority, and should not be distributed to other parties.

Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation and fair presentation of the Statement 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 Statement that is free from material misstatement, whether due to fraud or error.



INDEPENDENT AUDITORS' REPORT - Continued

In preparing the Statement, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITORS' REPORT - Continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rolfe, Benson LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
17 March 2020

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**

Statement of Revenues and Expenses

For the year ended 31 December 2019

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Revenues | \$ 16,064,258 | \$ 17,847,687 |
| Program expenses | | |
| Collection | 6,248,948 | 6,127,541 |
| Processing | 6,037,856 | 5,802,928 |
| Transportation | 1,963,317 | 1,908,409 |
| Administration (Note 2(b), (c) & (e)) | 1,510,962 | 1,585,075 |
| Regulatory | 384,406 | 293,749 |
| Communications | 70,225 | 42,418 |
| | 16,215,714 | 15,760,120 |
| Excess (deficiency) of revenues over expenses for the year | \$ (151,456) | \$ 2,087,567 |
| Commitment (Note 3) | | |

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

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2019**

1. Basis of Presentation

The Statement includes the revenues and expenses (the “Statement”) of the Ontario PaintRecycle Program and Ontario Pesticides, Solvents and Fertilizers Program (the “Programs”), a segment of the operations of Product Care Association of Canada (the “Association”).

2. Summary of Significant Accounting Policies

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

(a) Revenue Recognition

Environmental Handling Fees are received from members of the Association making sales of designated program materials 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. Environmental Handling Fees revenues are recognized as individual members report and remit them as required by the Association’s membership agreement which is at the end of the month following the reporting period that the designated program materials were sold by the member.

Members are obligated to remit Environmental Handling Fees for all products sold from the earlier of the Program’s start date or the date when the member started selling obligated products. If, for any reason, a member omits reporting and remitting Environmental Handling Fees associated with sold Program products, the Association will recognize those Environmental Handling Fees as revenue when the amounts are determinable by the Association.

(b) Tangible Capital Assets

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

| | |
|-----------------|---------|
| Depot equipment | 3 years |
|-----------------|---------|

Included in administration expense is \$11,351 (2018 - \$13,223) of amortization expense related to tangible capital assets.

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Notes to the Statement of Revenues and Expenses
For the year ended 31 December 2019

2. Summary of Significant Accounting Policies - continued

(c) 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 |
|------------|---------|

Included in administration expense is \$85,947 (2018 - \$85,947) of amortization expense related to intangible capital assets.

(d) 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 revenues and expenses and disclosure of contingencies included in the Statement. Accounts subject to estimates include revenue accruals, expense accruals, amortization, overhead allocation and processing commitments. Actual results could differ from those estimates.

(e) General and Administrative Expenses - Overhead Allocation

A portion of the total general and the administrative expenses of the Association, net of expense recoveries, has been allocated to the Programs. The allocation of general and administrative expenses to the Programs is determined using the percentage of program specific operating expenses as compared to total operating expenses for all the Association's programs. Included in administration expense is \$969,246 (2018 - \$980,544) of overhead expense which has been allocated to the Programs.

3. Processing Commitment

At year end, the Association had unprocessed program material on hand related to the Programs with an estimated cost to process, transport and recycle of \$322,563 (2018 - \$400,052) which will be incurred in 2020.