

Product Care Association Ontario Industry Stewardship Programs 2021 Annual Report (January 1 to September 30)

Submitted to:
Resource Productivity & Recovery Authority



productcare.org

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On April 12, 2018 the Minister directed Stewardship Ontario to wind-up the MHSW program including Product Care's ISP program. The MHSW program wind up date was later determined to be September 30, 2021.

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, 2021 to September 30, 2021.

1 2021 Highlights

The impact of the Covid-19 pandemic on the ISP supply chain continued in 2021 impacting Q1 and Q2 partially with some municipalities deciding to keep their municipal depots closed and cancelling events. In Q2 pandemic restrictions eased which saw the opening of municipal depots, events scheduled and regular pick ups at return to retail sites, with pandemic protocols in place. Transporters continued picking up ISP materials through the entire year as needed. Recyclers (processors) continued to process incoming materials, adjusting capacity as necessary with health and safety protocols in place and staff reductions due to Covid.

RPRA approved the MHSW wind-up plan on December 31, 2019. On July 8, 2020, following extensive consultations and an amendment to the MHSW Windup Plan, Product Care entered into an agreement with Stewardship Ontario (SO), for the transfer by SO of \$16M in surplus funds, originally contributed to SO by paint/PSF stewards, to Product Care, to be returned to ISP members by way of fee reductions, as directed by the Minister of the Environment, Conservation and Parks. Product Care hosted a webinar and held several meetings with ON ISP members in 2021 keeping members informed of the fee reduction surplus fund amounts and fee reduction procedures. By September 30, 2021 Product Care had applied 100% of the fee reductions for paint, solvents and fertilizers for ISP members. \$8.1K of pesticide fee surplus funds remained after September 30, which was disbursed to pesticide ISP members by November 30th, 2021. All fee reduction amounts transferred to PCA from SO has been returned to ISP members as per Ministerial direction. The restricted reserve funds (\$765.5k), unrelated to the fee reduction funds received from Stewardship Ontario, will remain as restricted until the MHSW program is officially terminated.

At the end of 2021, the collection system for the PCA ISPs consisted of 100 municipal depots, 98 municipal events and 323 non-municipal sites. Excluding program material sold to Stewardship Ontario (SO), January 1 to September 30, 2021 the programs collected:

- 6,920 tonnes of waste paint,
- 24 tonnes of pesticides,
- 143 tonnes of solvents and
- 6.8 tonnes of fertilizers.

In addition, 4,026 tonnes of paint and 0.25 tonnes of solvents were recycled in 2021.

Product Care continued its outreach to non-municipal collection sites (return to retail) soliciting feedback to improve program efficiencies.

There were 22 municipal depots participating in the Ontario PaintShare program which collected over 5,489 containers (25 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.

2 Program Performance

January 1 to September 30, 2021 target tonnages and tonnes collected for paint and for solvents and fertilizers, are apportioned between PCA and Stewardship Ontario (SO) according to market share. In the case of pesticides, 100% of the stewards are registered with Product Care. The tonnages data in table 3.1 represents the net quantities retained by PCA (see section 7.2 for further information).

PCA exceeded the collection target for paint and pesticides in 2021. Solvents did not meet the collection targets 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.

Product Care continued to recycle paint cans and pails including one gallon hybrid paint cans (plastic cans with metal rims/handles). In 2021 1,180 tonnes of metal and plastic paint cans were recycled - metal paint cans were recycled at the rate of 96% and hybrid paint cans and plastic pails recycled at 60%, and the resulting recycling rate for all paint containers was 85% (by weight). In 2021 Product Care continued monthly monitoring of paint recycling rates to identify and respond to challenges in a timely fashion.

2.1 Jan-Sept 2021 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 (2020) Tonnes Collected
Paint	6,762	95%	8,417	6,920	102%	9,569
Pesticides	19	60%	14	24.4	128%	31.3
Solvents	1,005	49%	687	143.2	14%	178
Fertilizers	19	n/a	n/a	6.8	35%	8.6

1. “Actual Tonnes Collected” excludes tonnes sold to SO.

2.2 Jan-Sept 2021 Program Tonnes Recycled

	F	G	H=G/A	
Materials	Recycling Target Rate	Actual Recycled & Reused Tonnes	Actual Recycling & Reused Rate	Prior year (2020) Tonnes Recycled
Paint	76%	4,026	59%	5,051
Pesticides	n/a	n/a	n/a	n/a
Solvents	4.9%	.257	0.026%	0.87
Fertilizers	n/a	n/a	n/a	n/a

2. "Actual Paint Recycled Tonnes" excludes paint collected but not processed in 2021

2.3 PaintShare Program

The PaintShare program saw the return of municipal depots open to the public for 2021, which helped to increase the PaintShare volume throughout the year compared to 2020. In 2021 there were 5,489 containers of paint given away to consumers at participating collection sites, compared to 4,258 in 2020. This represented approximately 25 tonnes of paint shared in 2021 compared to 19 tonnes in 2020. PCA continued to promote the PaintShare program and monitor its performance until the wind up of the MHSW program.

3 Stakeholder Consultation

3.1 Member Webinar

Product Care kept its members updated via the productcare.org website – member section, member notices, direct emails to members, presentation to associations representing members, as well as a Product Care member webinar/meetings on May 20 and June 29, 2021. Product Care also held webinars specifically to inform members on the fee reduction process (see section 9.3)

3.2 R2R Collection Site Feedback

Product Care regularly contacted return to retail (R2R) collection sites, to ensure service provider performance and customer service standards are maintained and to identify opportunities for improvement. Product Care received feedback through phone calls and email related to the service to R2R sites in 2021. No major issues were identified, and questions were responded to in a timely manner. Overall, in 2021, the feedback from R2R sites was positive and constructive. Product Care continued communicating with R2R sites and R2R service providers on a regular basis throughout 2021 to ensure the effective performance of the R2R collection system.

4 Supply Chain Update

4.1 Service Provider Set Up

In 2021, Product Care listed 17 service providers providing transportation and processing services as summarized in Appendix A. There were no changes in approved transporters and processors in 2021.

4.2 R2R Transportation and Processing Services

Product Care continued to explore improvements and expansion of the R2R supply chain. Product Care worked closely with a major retail chain with regards to the design of a reusable metal collection container which was successfully implemented to the stores in Q2 for 2021.

4.3 Audits & Site Visits

In 2021, 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. Most service provider “visits” in 2021 were conducted virtually, with few on-site visits.

4.4 Lab Pack Studies

The MECP directed SO to wind up the MHSW program on September 30, 2021, resulting in a nine month operational period for the Product Care ISPs in 2021. Product Care met with municipal representatives, and it was agreed that the 2020 lab pack factors would be applied for the first nine months of 2021, and that a 2020 lab pack study was not required. Therefore the 2021 lab pack factors remained at the same rates as 2020, see the table below.

Lab Pack Type	Municipal Share		Steward Share	
	2020	2021 (Jan. 1 to Sept 30, 2021)	2020	2021 (Jan. 1 to Sept 30, 2021)
Pesticide	84.84%	84.84%	15.16%	15.16%
Misc. Organics (includes solvents)	94.07%	94.07%	5.93%	5.93%
Fertilizer	91.09%	91.09%	8.91%	8.91%
Aerosols	48.64%	48.64%	51.36%	51.36%

5 Accessibility Update

5.1 PCA ISPs Collection Network

Type	Paint Collection Sites			PSF Collection Sites		
	2021 Annual Target	2021 Actual	2020	2021 Annual Target	2021 Actual	2020
Municipal Depot	145	100	100	175	99	99
Municipal Events	500	98	182	525	98	182
Return to Retail	450	323	320	n/a	n/a	n/a

5.2 Municipal Collection Sites

In 2021 there were no new municipal depot added to the PCA ISP collection system and 84 fewer events compared to the previous year. The reduced number of events in 2021 were mainly due to events cancelled due to the pandemic and events counted for 3 quarters of the year vs annually in 2020.

5.3 Non-Municipal Collection Sites

In 2021, Product Care added 6 new Return to Retail (R2R) collection sites to the network, including 2 Benjamin Moore paint stores, 1 independent paint stores, 2 Home Hardware, and 1 Dulux store. Taking into account the 3 R2R sites that left the program, there was a net increase of 3 R2R collection sites compared to 2020.

6 Steward/IFO/ISP Updates

6.1 Steward Transition from IFO to ISPs

There were no new PCA members added to the PCA ISPs in 2021. As of the end of September 30, 2021 there were 110 paint members, 23 pesticide members, 84 solvent members and 19 fertilizer members registered as participating in the PCA ISPs. Note that some companies are in multiple programs. A list of PCA ISP members is provided in a separate report accompanying this annual report.

The main focus in 2021 for PCA members was the MHSW transition to the new HSP regulation, obligated producer HSP requirements and registration with RPRA and PCA as a PRO.

6.2 Supply Chain Cost Share between the ISO and IFO

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

Product Care and Stewardship Ontario agreed to a cost sharing methodology where SO paint members paid for their share of supply chain operating and administration costs. A

January 1 to September 30, 2021 reconciliation based on each organizations member market share was conducted and Product Care invoiced SO. For 2021, SO purchased 1.18 tonnes of paint on behalf of the paint Stewards remaining with Stewardship Ontario.

PCA and SO agreed to extend the cost sharing agreement related to the PSF program operations to the end of September 30, 2021, the windup date of the MHSW program. Supply chain costs are apportioned between PCA and SO based on actual PSF steward market share. 100% of pesticide Stewards are Product Care members, therefore no tonnes were required to be purchased by SO. In 2021, January 1 to September 30, SO purchased 7.6 tonnes of solvents and 0.6 tonnes of fertilizers from Product Care.

7 Promotion and Education

In 2021, January 1 to Sept 30th, 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 2021.

7.1 Website

The Product Care site includes the following content for the Ontario paint and PSF recycling programs, in both English and French:

- Recycling locator (a map displaying the recycling locations and drop-off events)
- Recycling location 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)

2021 Website Traffic Overview (January 1 -September 3, 2021):

Metric	Traffic From Ontario Users
Sessions (Total Visits)	63,885
Returning Visitors (%)	18.69%
New Visitors (%)	81.31%
Average Visit Duration	00:00:46
Average Page Views per Session	2.35

The parameters used for the website traffic analysis include:

- Ontario only traffic to all sections of the website (news, home page, recycling

locator, about, etc.) is included in the analytics. All other provinces (and non-Canadian locations) are excluded from data extraction

- Time period of January to September 2021

Top Traffic Referral Sources (Q1 – Q3):

Linking Site	Organization	% of ON Referral Traffic
ottawa.ca	City of Ottawa	46.98%
canadiantire.ca	Canadian Tire	10.51%
toronto.ca	City of Toronto	3.79%
peelregion.ca	Region of Peel	2.39%

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

In 2021, 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:

- Brochures
- Poster (includes general awareness posters and R2R-specific posters)

7.3 Digital Advertising and Activities

- 1. Google Search Ads:** January to September 2021
 - a. An Ontario-specific search advertising campaign served paint, PaintShare and PSF ads to residents based on an extensive list of keyword searches relevant to the programs.
 - b. Ontario’s ads generated 40,615 impressions and 6,251 clicks, a click-through rate of 15.39%.
- 2. Google Display Ads:** January 1 to September 30, 2021
 - a. Rich media banners including text, images and video were advertised across Google’s Display network targeted to Ontario.

Ontario’s Display ads generated 1,452,994 impressions, 4,792 clicks, and a click-through rate of 0.33%.
- 3. Facebook Advertising Campaign:** January 1 to September 30 2021
 - a. Organic Facebook content focused on paint recycling, reuse, special waste and the recycling community in general.
 - b. From February to September, paid campaigns ran on Facebook to raise awareness about the program. The campaign targeted Ontario residents with an interest in recycling and related topics, through both newsfeed and story ads across Facebook, Instagram and Facebook’s Audience Network.

In total, the campaigns produced 483,339 impressions and 5,089 link clicks.

4. **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. More than 780,000 calendars were distributed throughout the province.

CPCA Publication Print Advertising: An inside cover print ad was featured in CPCA Insight Trade Publication. Three thousand copies were distributed to industry members. A digital version of the publication is posted on CPCA's website.

8 ISP Transition

8.1 Fee Reduction Termination

The fee reduction program ended with the termination of the MHSW program on September 30, 2021. All fee reduction amounts were distributed to Product Care ISP members in accordance with the ISP termination guide and PCA and Stewardship Ontario Surplus Transfer Agreement.

8.2 Acknowledgement Statements

ISO Acknowledgement

Product Care acknowledged the direction outlined by the Minister on April 12, 2018 including:

- There will be no disruption in the operation of the Product Care ISP programs for paint, pesticides, solvents and fertilizers, including collection, transportation, processing, or recycled product manufacturing, while the ISP program is operating.
- Ontario residents' accessibility and experience with the Product Care ISP will not be negatively impacted during wind up of the waste diversion programs for Product Care ISP materials.
- Current program targets or performance of Product Care's ISP materials, whichever is higher, will be maintained or exceeded, until the ISP program ceases operation

Member Fee Reduction Acknowledgement

Retroactive Fee Reduction – members eligible for fee reductions were contacted and sent detailed emails including their retroactive (to January 1, 2020) fee reduction amount and their requirement to acknowledge the Minister's direction.

Ongoing fee reductions: - Members are required to acknowledge the Minister's direction each time they report through Product Care's member reporting portal. The system will not allow members report their sales to Product Care or obtain a fee reduction unless they have "checked the box", acknowledging the Minister's direction. Therefore 100% of Ontario Paint and PSF members reporting through the member portal have acknowledged the Minister's direction.

8.3 Fee Reduction Amount

A summary of the fee reduction amounts received from Stewardship Ontario and amounts disbursed from January 1, 2020 to November 30, 2021 to Ontario ISP members are shown in table 1. All fee reduction surplus funds were returned to PCA ISP members. The full fee reduction surplus amounts were returned to paint, solvent and fertilizer PCA ISP members on or before Sept 30, 2021. There was a residual of \$8,165 left for pesticides after September 30th, which was subsequently disbursed to PCA pesticide ISP members by November 30, 2021. The methodology used to calculate the pesticide residual amount applied as fee reductions was as follows.

total pesticide kgs or liters supplied January 1, 2020 to September 30, 2021	
	= Member allocation %
each pesticide member kgs or liters supplied January 1, 2020 to Sept 30, 2021	

The member allocation % was applied to the residual pesticide amount and disbursed to ISP pesticide members.

There are no fee surplus reductions funds remaining to disburse as of November 30, 2021.

Table 1. ON Paint/PSF Fee Reduction Summary

Material	Fee Reduction Amount Received	Amount applied as Fee Reductions in Jan 1 2020 to Dec. 31, 2020	Amount applied as Fee Reductions in Jan 1, 2021 to Sept. 30, 2021	Residual Amount Applied as Fee Reductions in Nov. 2021	Fee Reduction Amounts Remaining
Paint and Coating	\$14,586,000	\$14,586,000	\$0.00	\$0.0	\$0.0
Pesticides	\$250,200	\$131,707	\$110,328	\$8,165	\$0.0
Solvents	\$1,240,400	\$781,335	\$459,065	\$0.0	\$0.0
Fertilizers	\$289,900	\$155,488	\$134,412	\$0.0	\$0.0

8.4 Communication

Product Care hosted various meetings with Ontario ISP members and service partners related to the ISP fee reduction and MHSW transition in 2020 and 2021. Product Care kept members informed once the fee reductions funds were received and the procedures implemented to apply the fee reduction, members required acknowledgement of the Minister’s direction to benefit the consumer and status of the amounts remaining in each material category. Product Care updated its reporting portal which allowed members to acknowledge the Minister’s direction before reporting.

Product Care also met and consulted with municipalities and service partners informing them of the ISP wind-up dates, key dates such as last date to pick up materials from

municipal depots and return to retail sites as well as last date to report their ISP activities to Product Care. There are ongoing discussions with municipal partners as well as service providers to ensure a seamless transition of the ISP program.

8.5 Restricted Reserves

Product Care has placed \$765,500 of existing reserve funds unrelated to the fee reduction funds received from Stewardship Ontario in a restricted reserve fund as required by the Product Care and Stewardship Ontario Surplus Transfer Agreement, in order to assure the payment of the paint/PSF share of any approved additional costs of SO in the event of an MHSW transition delay. The restricted reserves will remain until the MHSW transition is fully completed.

9 Appendices

9.1 Appendix A – Service Providers

T=Transporter, P=Processor

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

A list of ISP members is provided separately to this document.

10 Financials

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

STATEMENT OF REVENUES AND EXPENSES

30 SEPTEMBER 2021

**PRODUCT CARE ASSOCIATION OF CANADA
ONTARIO PAINTRECYCLE PROGRAM AND
ONTARIO PESTICIDES, SOLVENTS AND FERTILIZERS PROGRAM**
Statement of Revenues and Expenses
For the period ended 30 September 2021

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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 period ended 30 September 2021 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 period ended 30 September 2021 in accordance with Canadian accounting standards for not-for-profit organizations.

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 Auditors' 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
18 March 2022

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

Statement of Revenues and Expenses

For the period ended 30 September 2021

	30 September 2021	31 December 2020
	(9 months)	(12 months)
Revenues (Note 4)	\$ 15,160,726	\$ 18,634,775
Program expenses		
Collection	4,604,487	5,597,928
Processing	4,338,176	6,243,351
Transportation	1,436,910	1,881,780
Administration (Note 2 (b), (c) & (e))	1,160,149	1,399,441
Regulatory	102,677	304,712
Communications	20,145	51,227
	11,662,544	15,478,439
Excess of revenues over expenses for the period	\$ 3,498,182	\$ 3,156,336
Commitment (Note 3)		
Contingency (Note 5)		

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 period ended 30 September 2021**

1. Basis of Presentation and Operations

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”). The Programs fall under the Municipal Hazardous or Special Waste (“MHSW”) program operated by Stewardship Ontario under the Waste Diversion Transition Act, 2016(3) which ceased operations on 30 September 2021. As such, the Statement reports the revenues and expenses of the program up to this date.

As of 1 October 2021, the Hazardous and Special Products (“HSP”) regulation came into effect and a new program to manage the recycling of the designated materials which were managed under the previous Programs commenced operations on that date. The accumulated surpluses of the Programs as of 30 September 2021 were transferred to the new program upon the cessation of the MHSW program.

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. Due to the cessation of the MHSW program, the Programs have reported Environmental Handling Fee revenue for the sale of designated program materials by members up to 30 September 2021.

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.

**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 period ended 30 September 2021**

2. Summary of Significant Accounting Policies - continued

(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
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Included in administration expense is \$30,209 (2020 - \$5,710) of amortization expense related to tangible capital assets.

(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
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Included in administration expense is \$7,977 (2020 - \$53,221) 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 \$690,477 (2020 - \$870,914) of overhead expense which has been allocated to the Programs.

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3. Processing Commitment

Due to the cessation of the MHSW program, any unprocessed program materials will be managed under the HSP regulation, which was effective 1 October 2021 (Note 1). The processing expenses related to these program materials will be funded from the accumulated surplus of the MHSW program, which has been transferred to the new program. As such, no processing commitment for the estimated cost to process, transport and recycle any unprocessed program materials at 30 September 2021 is reported in the Statement (2020 - \$718,028).

4. Fee Reduction Campaign

On 24 June 2020, the Resource Productivity and Recovery Authority (“RRPA”) approved the Surplus Fund Transfer Addendum which, among other matters, included a transfer of surplus funds from the previous MHSW program to Stewards or members of the program. On 8 July 2020, the Association entered into an agreement with Stewardship Ontario (“SO”) to distribute surplus funds from the MHSW program to the members of the Ontario PaintRecycle Program and the Ontario Pesticides, Solvents and Fertilizers Program (the “Programs”). Under the agreement the Association received total surplus funds of \$16,366,500, of which \$14,586,000 was to be distributed to members of the Ontario PaintRecycle Program and \$1,780,500 was to be distributed to members of the Ontario Pesticides, Solvents and Fertilizers Program before 30 June 2021. Under the agreement, eligible members of the Programs were entitled to receive a reduction of Environmental Handling Fees (“EHFs”) from the surplus funds that would have otherwise been payable by the members as they report EHFs, in accordance with the fee reduction schedule as established and agreed by the Association and SO. The remaining amounts to be distributed to members as of 31 December 2020 were \$801,158 related to the Ontario PaintRecycle Program and \$815,066 related to the Ontario Pesticides, Solvents and Fertilizers Program. In 2021, the Association continued to distribute the SO funds to members. For any remaining amounts of SO funds related to Paint, Pesticides and Fertilizers, cash refunds of \$827,599 were issued to members during the period.

After the final distribution of the SO surplus funds related to Solvents, the board of directors approved an extension of the Ontario Solvent fee reduction program. The extended fee reduction program is funded from the accumulated surplus generated by the Association’s Solvent program which has been used to reduce EHFs owing by members. For the period ended 30 September 2021, the extended Ontario Solvents fee reduction program resulted in a decrease in EHF revenue of \$48,264.

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5. Contingency

Pursuant to the Surplus Fund Transfer Addendum (Note 4), the Association established a restricted reserve fund of \$765,500 (2020 - \$765,500) from the Association's existing assets excluding the surplus funds received as part of the Fee Reduction Campaign. The restricted reserve fund has been allocated to the categories of designated program materials as follows:

Paint and Coatings	\$ 673,700
Pesticides	15,000
Solvents	61,700
Fertilizers	<u>15,100</u>
	<u>\$ 765,500</u>

The purpose of the restricted reserve fund is to cover certain expenses which may be invoiced by Stewardship Ontario ("SO") should there be a delay in transitioning the MHSW program to individual producer responsibility beyond 30 September 2021. In the event that there is insufficient funding in the restricted reserve fund to cover the expenses during a transitional delay, the Association is required to fund any expenses in excess of the restricted reserve fund from its own assets. At the date of the Independent Auditors' Report, while the transition of the MHSW program is underway, it is indeterminable whether the Association will be required to fund any expenses, either up to, or in excess of, the amount of the restricted reserve fund.