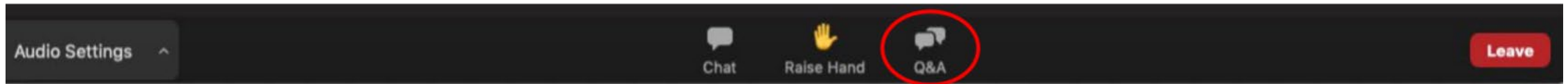


Development of the Hazardous and Special Products Supply Data Verification Procedure

June 15, 2022



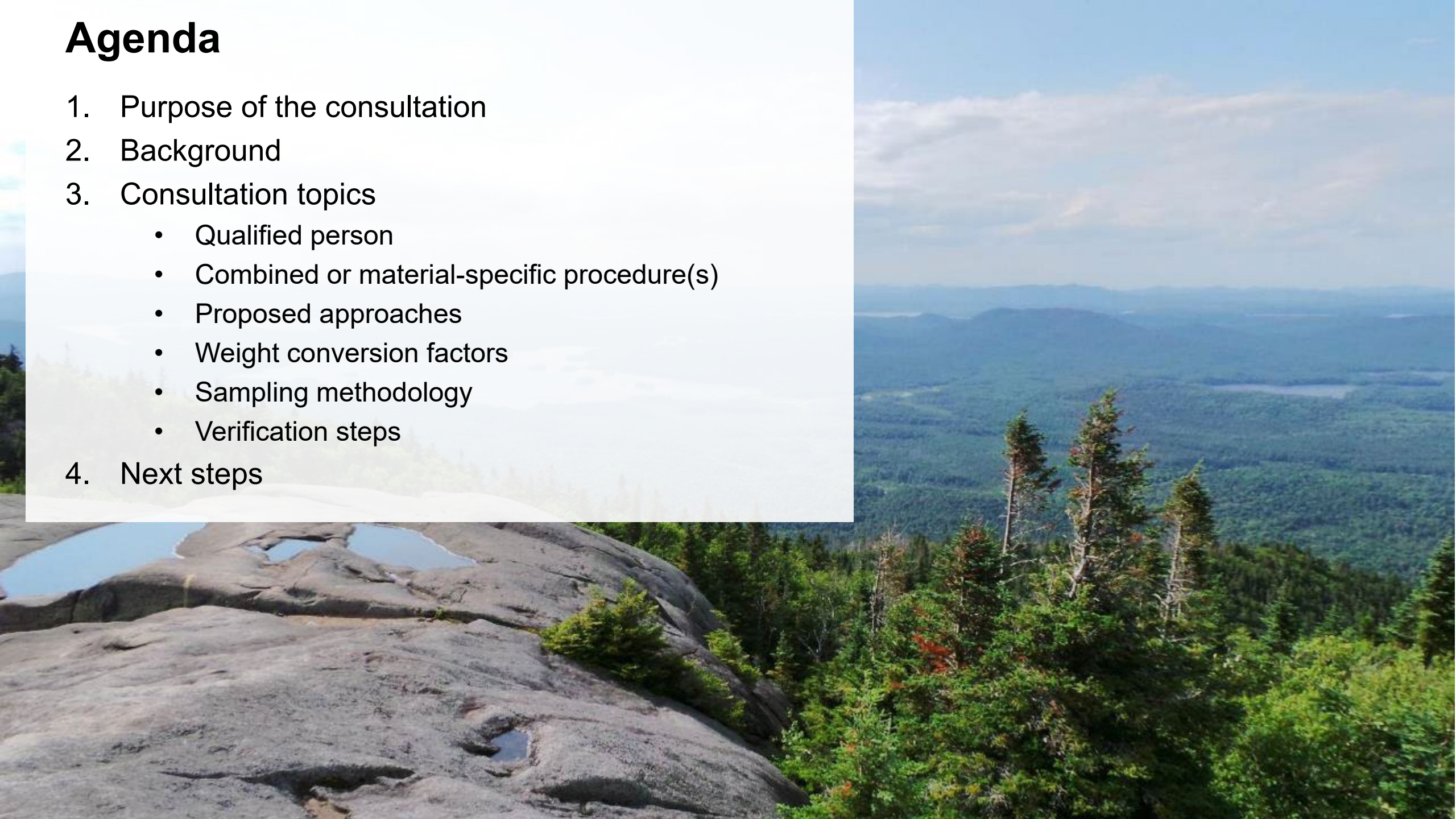
How to ask a question



To ask a question at any time during the presentation or for technical assistance, click on the Q&A tab, type your question in the text box and click “send”.

Agenda

1. Purpose of the consultation
2. Background
3. Consultation topics
 - Qualified person
 - Combined or material-specific procedure(s)
 - Proposed approaches
 - Weight conversion factors
 - Sampling methodology
 - Verification steps
4. Next steps



Purpose of the consultation



Purpose of the consultation

1. Review the objectives and principles of the procedure(s)
2. Consult on the following:
 - Definition of a qualified person
 - Combined or material-specific procedure(s)
 - Producer categories
 - Weight conversion factors (WCFs)
 - Sampling methodology
 - Verification steps
3. Discuss next steps

Objectives and principles of the procedure

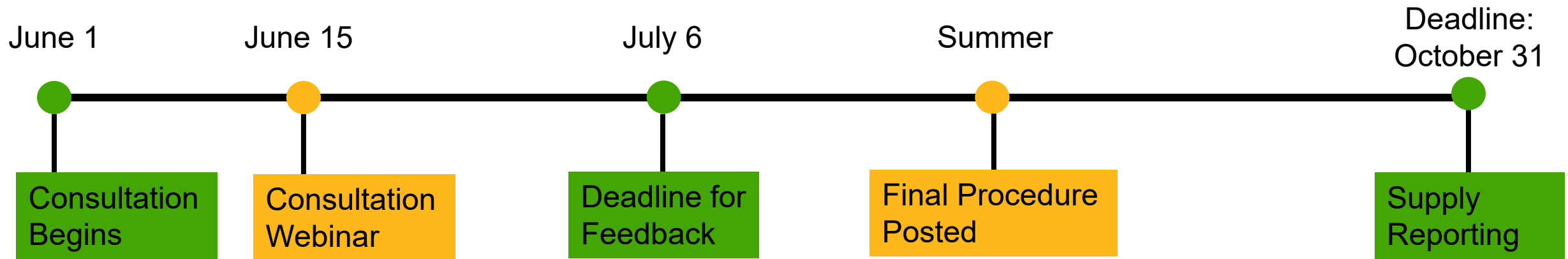
Objectives

- To provide RPRA with assurance of the completeness and accuracy of data submitted
- Provide direction to allow for consistent verification

Principles

- Meet the regulatory objective
- Maximize compliance
- Cost-effective and efficient
- Procedures are clear and straightforward
- Ensure a level playing field in terms of accuracy and completeness of reporting

Timeline for updating the procedure



Note: RPRA recognizes that additional time is needed for producers to submit their supply data in 2022 and is giving HSP producers until **October 31, 2022**, to submit their report.



Background

Supply data reporting requirements

- Under the [Hazardous and Special Products Regulation](#), **producers of categories A (oil filters, non-refillable pressurized containers) and B (oil containers, antifreeze, solvents, paints and coatings, pesticides, refillable pressurized containers)** are required to report new supply information each year. Producers of category A are also required to recover an amount of material based on their average supply into Ontario.
- Starting in 2022, producers will need to submit a **verification report** to verify the supply data being reported to RPRA. Producers will need to work with a **qualified person** to complete a verification report to verify the supply data being submitted.

Scope and application

Beginning in 2022, verification will be required for the following supply data:

2022 HSP Supply Reports for 2021 Data

- The weight of categories A and B supplied in Ontario in 2021.

Note: While a verification report was not required for supply data provided in 2021, producers were still obligated to provide complete and accurate data. Inspectors can still review the data and related records for the purpose of determining compliance.

Methods to determine supply data

To determine the units or weight of HSP supplied into Ontario, producers can choose one of the two following methodologies:

Determine the weight of HSP

1. The actual weight
2. The calculated weight using WCFs

Determine the number of units of HSP

1. The number of actual units
2. The calculated units using percentage of Ontario's population to determine Ontario portion of the units supplied
 - Reference the draft Hazardous and Special Products Verification and Audit Procedure for Ontario's population

Questions

Do you have questions about:

- The purpose of the consultation
- Objectives and principles of the supply data verification procedure(s)
- Timeline for developing the procedure(s)

Consultation Topic 1: Qualified person



Acceptable Verifiers

Criteria

A Verifier can be an internal employee (i.e., a controller with any designation from the list) as long as they are not involved in collecting or preparing the supply report.

Examples of acceptable Verifiers:

- CPA (Chartered Professional Accountant) in Canada
- CPA (Certified Public Accountant) in the US
- ACCA (Association of Chartered Certified Accountant) Qualification
- CIA (Certified Internal Auditor)
- CPB (Certified Professional Bookkeeper) in Canada
- RPA (Registered Professional Accountant) in Canada

Consultation Questions

1. Are there any designations / persons who should be added to or removed from the list of acceptable Verifiers?

2. Combined or material-specific procedure(s)



Numbers of overlapped producers for Tires, Batteries, ITTAV and HSP

| Producer Types | Number of producers | Common producers across all programs |
|--|---------------------|--------------------------------------|
| Tire | 476 | 9 |
| Battery | 185 | |
| EEE | 186 | |
| HSP | 158 | |
| Grand Total | 1005 | 9 |
| Percentage of overlapped producers with Total number of producers (Tires, Batteries, EEE and HSP): | | |
| | | |
| 0.9% | | |

RPRA's recommendation:

We are proposing a separate supply data verification procedure for HSP for the following reasons:

- The percentage of producers in all four categories is too small to combine all procedures.
- Different reporting requirements make it difficult to align procedures
 - Tires, Batteries, EEE and HSP Regulations are different
 - Qualified person only applies to Batteries, ITT/AV and HSP
 - Reduction of management requirement is only for Batteries and ITT/AV
- Following respective procedures facilitates understanding, while increasing the efficiency and consistency of reporting.
- Producers who supply all four materials can still choose to issue one report provided that the minimum reporting requirements have been met (i.e., CPA for tires and qualified person for batteries, ITT/AV and HSP).
 - These producers can exceed reporting requirements by providing one audit report for all materials, or;
 - Submit one CPA audited supply data report for tires, one combined supply data verification report for Batteries and ITT/AV, and a third HSP supply data report verified by a qualified person.

Consultation Questions

1. Do you support RPRA's recommendation: A separate procedure for HSP?
2. Are there additional options that RPRA should consider?

3. Proposed approaches



Who will submit a supply data verification report in 2022?

RPRA is proposing that **all HSP producers of categories A and B** submit a one-time supply data verification report in 2022.

Benefits of a one-time verification report:

- Ensures a fair level-playing field for all producers in terms of accuracy and completeness of reporting (i.e., supply data has never been audited).
- Establishes an accurate supply baseline for all reported materials.

Determining verification process for 2023

Starting in 2023 RPRA is considering options for supply data verification of these materials based on different producer sizes:

Option 1: Three producer categories

- Large producers: Comprehensive procedure
- Medium producers: Simplified procedure
- Small producers: Risk-based compliance framework

Option 2: Two producer categories

- Large producers are required to submit a verification report
- The rest of producers will be subject to risk-based compliance framework

Consultation Questions

1. Do you support RPRA's proposal that all HSP producers of categories A and B submit a one-time supply data verification report in 2022?
2. Which option to group producers into different categories do you prefer?
3. What should RPRA consider when determining what the verification process will be for different producer categories?

4. Weight conversion factors



Weight Conversion Factors (WCFs)

RPRA is proposing to use the same WCFs HSP producers used last year to report supply weight for 2022.

Note: RPRA is planning to consult with HSP producers in 2023 on whether there is a need to update the WCFs.

Weight Conversion Factors (WCFs) cont.

HSP producers were asked not to report the factory fill antifreeze last year. For this year's supply reporting, RPRA is proposing the following:

- 1) Car manufactures who are the obligated producers for factory fill antifreeze and don't know the actual weight to adopt the WCFs for factory fill antifreeze created by Used Oil Management Association of Canada (UOMAs).
- 2) Antifreeze brand owners who supply factory fill antifreeze to car manufactures and don't know the actual weight to adopt the WCFs for factory fill antifreeze.

5. Sampling methodology



Sampling Methodology

Sampling is a tool widely adopted in verification to help the qualified person obtain confidence without testing 100% of the population.

We are proposing to use a **statistical sampling methodology** which involves a random selection of sample items and using the probability theory to evaluate the sample result.

The confidence level indicates the probability, with which the estimation of the location of a statistical parameter in a sample survey is also true for the population. We are proposing to use **a 95% confidence level**.

Choosing an appropriate sample size:

Selecting the appropriate sample size is important to strike the right balance between accuracy and creating an unnecessary burden on business.

- A larger sample size will increase the likelihood of catching reporting errors and reduce the risk of non-compliance
- A smaller sample size will reduce the level of effort required to verify the supply data

Sampling methodology

We are proposing to use a **statistical sampling methodology and at a 95% confidence level as a basis** to evaluate the sample result.

The following table sets out the sample sizes required:

| Population | Sample size required |
|------------|----------------------|
| 500+ | 60 |
| 250 | 50 |
| 100 | 40 |
| 50 | 30 |
| 10 | 10 |

Note: These sample sizes are based on a 95% confidence level

Consultation Questions

1. Do you support RPRA using a sampling methodology in the supply data verification procedure?
2. What level of confidence do you think is acceptable to ensure the accuracy of the supply data?

6. Verification steps



Verification Steps

HSP producers can meet their supply data reporting requirement by providing a report prepared by a Verifier **using the following verification steps:**

1. Document responses for the following questions:

- What is the producer's marketing process, including how products are supplied in Ontario (e.g., ecommerce, retail sales)?
- How are products supplied in Ontario tracked separately from products supplied in other provinces?
- How is a SKU (Stock Keeping Unit) set up in the producer's ERP/database/system, and what product specifications are included (e.g., product weight, product description, brand name, etc.)?
- What are the producer's obligations based on the definition of a *producer?
- What are the brand names of products for which the producer has collection and management obligations?
- What is the producer's methodology for determining how the products were *supplied in Ontario?
- What is the producer's step-by-step process for preparing the product supply report, including what systems or applications are used to track product supply and what reports are used?
 - Ensure that all details required to understand how the product supply report is prepared are documented.
- What is the producer's methodology for determining the weight of the products supplied in Ontario?

*Refer to the HSP Regulation for definitions

Verification Steps cont.

1 cont.

- How does the producer determine which products are included in the product supply report and which ones, if any, are excluded, based on the definitions in the HSP Regulation?
- Does the HSP producer supply antifreeze, paints and coatings, pesticides or solvents?
- What is the material used for primary packaging?
 - Material used for primary packaging does not include corrugated/boxboard boxes, plastic film, shrink wrap or printed materials.
- What is the container's capacity of the HSP supplied?
- What is the producer's methodology for determining the weight of the primary packaging of the HSP supplied in Ontario?

Antifreeze and oil filter producers are required to report their supply data in accordance with the HSP Regulation.

- Antifreeze is supplied into Ontario either in new vehicles or separately in containers.
- An oil filter is supplied into Ontario as part of a product (i.e., a new vehicle) or separately.
- Antifreeze and oil filter producers are expected to report supply data from both components (supplied in a new vehicle and separately).

Note: HSP producers that supply antifreeze, paints and coatings, pesticides or solvents in Ontario must include the product's primary packaging, except for primary packaging that has a capacity of greater than 30 litres or 30 kgs.

Verification Steps cont.

2. Select a sample of obligated SKUs in accordance with the **sampling methodology** and perform the following for each:
 - If actual weight is used, agree it to the manufacturer's specifications. HSP producers that supply antifreeze, paints and coatings, pesticides or solvents in Ontario, also agree the total actual weight including the primary packaging weight to the manufacturer's specifications.
 - If calculated weight is used, compare the calculation to the respective WCFs to determine if the products were reported in the correct categories and if the WCFs were applied correctly. For example:
 - Use a correct WCF for antifreeze containers and antifreeze.
 - Use a correct WCF for antifreeze supplied in new cars and in bottles.
3. Validate the accuracy of the product units reported:
 - If actual number of units is used, agree it to the producer's sales records to validate the total units reported.
 - If calculated number of units is used:
 - Agree the Ontario population to the most recent Statistics Canada official census,
 - Agree the population of each province and territory in Canada in which the producer sells HSP to the most recent Statistics Canada official census, and
 - Recalculate the number of Ontario units supplied based on Appendix A.

Verification Steps cont.

4. Select a sample of non-obligated SKUs in accordance with **sampling methodology**. For each sample selected, verify that they do not meet the definition of “HSP,” as indicated in the regulation.
5. Confirm the accuracy and completeness of the reporting of obligated products and related primary packaging supplied to the Ontario market by sampling one month’s data and the following:
 - Comparing the raw sales report with the obligated product supply report. Select samples in accordance with **sampling methodology** and scrutinize the variances and validate if they are reasonable.
 - Recalculating the HSP supply weight reported for the selected sample, validate the accuracy of the calculations, and confirm if the weight of the primary packaging (if any) has been included or excluded in accordance with the HSP Regulation.
 - Recalculating the HSP supply weight reported for the selected sample, validate the accuracy of the calculations, and confirm if the weight of the antifreeze and oil filters supplied with new cars (if any) has been included in accordance with the HSP Regulation.

Verification Steps cont.

6. Select a sample in accordance with **sampling methodology** of manual adjustments made to the product supply report and assess if they are reasonable. For example:
 - Products supplied into Ontario and subsequently shipped out of Ontario will result in an adjustment to the supply report.

Note: RPRA will provide a Supply Data Verification template for Verifiers to reference. The template will be provided once reporting opens.

A close-up photograph of a person's hands typing on a silver laptop. The laptop screen is black. A semi-transparent grey rectangular box is overlaid on the screen, containing white text. The background is blurred, showing a window and some greenery.

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Next steps



Next steps

- Feedback on the draft HSP Supply Data Verification Procedure can be submitted to consultations@rpra.ca.
 - Read the draft procedure here: https://rpra.ca/wp-content/uploads/DRAFT-HSP-Supply-Data-Verification-Procedure_-June-1-2022.pdf
- For more information on this consultation, please visit our consultation webpage at: <https://rpra.ca/consultations/current-consultations/development-of-the-hazardous-and-special-products-supply-data-verification-procedure/>
- The deadline to submit your feedback is **July 6, 2022**