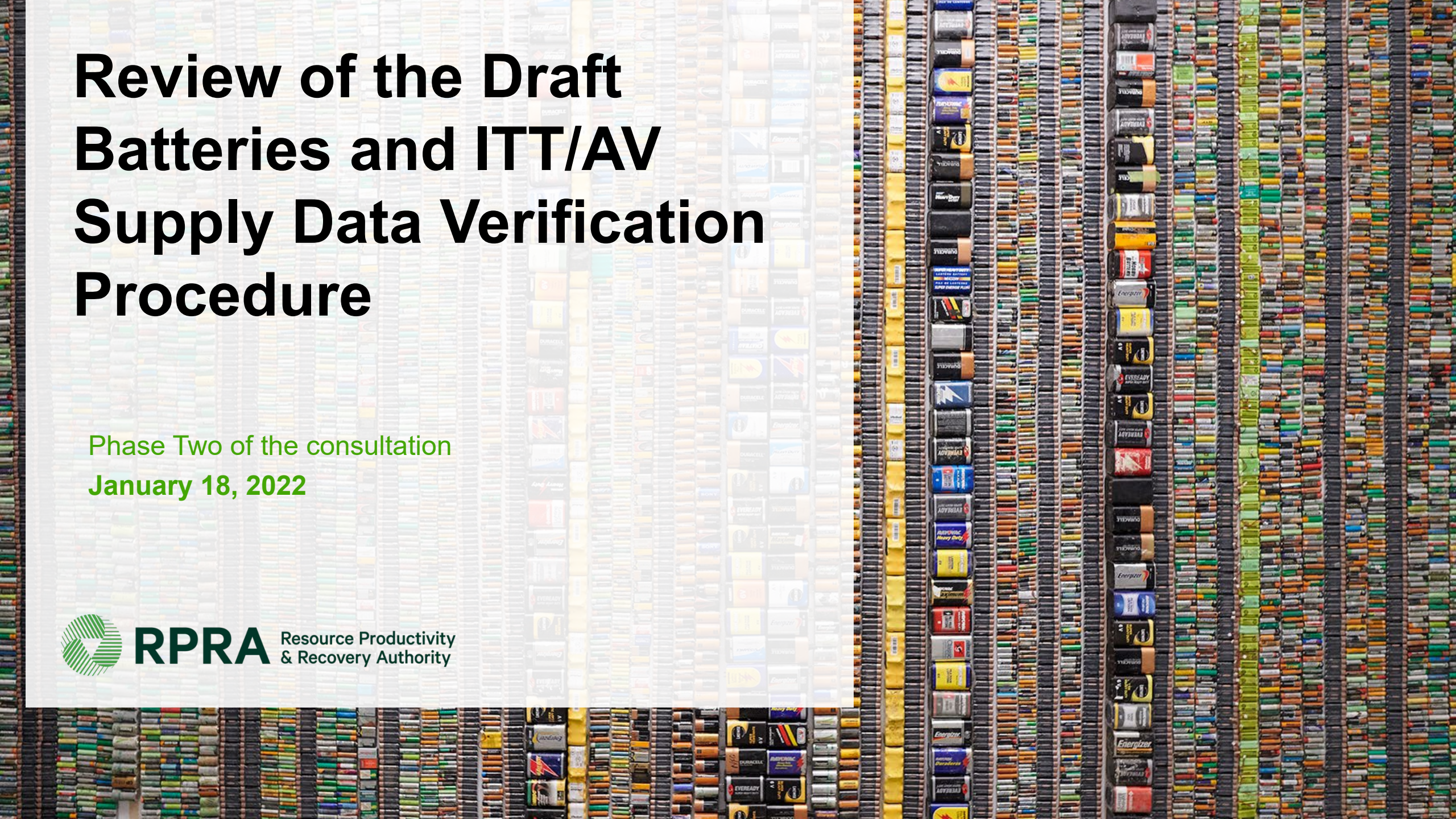
Review of the Draft Batteries and ITT/AV Supply Data Verification Procedure

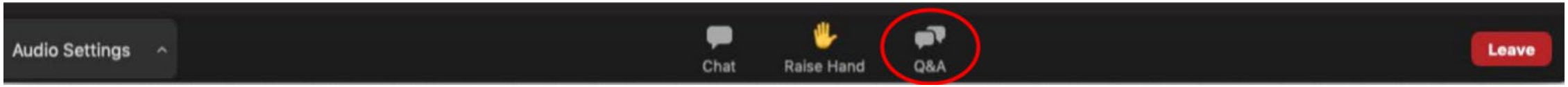
Phase Two of the consultation

January 18, 2022

RPRA Resource Productivity & Recovery Authority



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”.

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Agenda

1. Purpose of the consultation
2. Background
3. Feedback received during Phase One
4. Review of the draft Batteries and ITT/AV Supply Data Verification Procedure
    - Verification steps
    - Management reductions
    - Sampling methodology
5. Next steps

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Purpose of the consultation

Purpose of the consultation

Purpose of Phase One:

- Review the supply data verification procedures for batteries and information technology, telecommunications and audio-visual equipment (ITT/AV)
- Consult on the following:
    - Verifier
    - Universal or material-specific procedures
    - Proposed approaches
    - Sampling methodology

Purpose of Phase Two:

- Review the Draft Batteries and ITT/AV Supply Data Verification Procedure
- Answer stakeholder questions
- Discuss next steps

Objectives and principles of the procedures

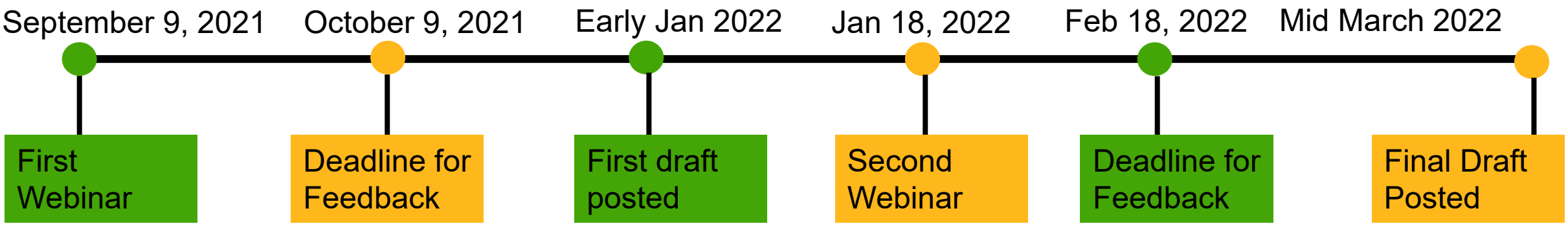
Objectives

- To provide the Authority 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: The deadline for producers to submit their 2022 Supply Data Report is now June 30, 2022.
See slide 9 more for details.

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Background

Supply data reporting requirements

- Under the Batteries and Electrical and Electronic Equipment (EEE) Regulations, producers of batteries and ITT/AV are required to report new supply information each year in order to establish their management requirement for the following year.

- 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.

- Under the Batteries and EEE Regulations, the 2022 supply reporting deadline is April 30. As the Regulator responsible for enforcing these Regulations, RPRA is giving producers until **June 30 to submit their 2022 Supply Data Reports**.

Scope and application

According to the Batteries and EEE Regulations, verification will be required for the following supply data from 2022:

2022 Battery Supply Data Reports

- The weight of single-use batteries supplied in 2021
- The weight of rechargeable batteries supplied in 2020
- If applicable, weight (if any) of post-consumer recycled content contained in the batteries supplied

2022 ITT/AV Supply Data Reports

- The weight of ITT/AV supplied in 2020
- If applicable, information regarding reduction in management requirement based on post-consumer recycle content, warranties and repair options

Note: While a verification report is not required for supply data provided in 2020 and 2021, producers are still obligated to provide complete and accurate data and inspectors can still review the data and related records for the purpose of determining compliance.

Feedback received during Phase One

Feedback received

Consultation Question: The Authority is seeking feedback on a definition of a verifier to include in the supply data verification procedure. Are there any persons who should be added or removed from the list of acceptable verifiers?

Below is the list of acceptable verifiers in the draft procedure:

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

Note: Some designations listed during Phase One no longer exist and were excluded from the above list.

Feedback Received: Support RPRA's proposed list

Procedure Section: Definitions

Feedback received

Consultation Question: Do you support the Authority's recommendation to proceed with Option #2: A combined batteries and ITT/AV procedure and a separate procedure for tires?

Proposed Options:

Option 1: Separate supply verification procedures for each material (i.e. tires, batteries, ITT/AV)

Option 2: A combined batteries and ITT/AV verification procedure and a separate supply verification procedure for tires

Option 3: One combined procedure for all materials (i.e. tires, batteries, ITT/AV)

Feedback Received: Support Option #2

Procedure Section: Introduction

Feedback received

Consultation Question: Do you support the Authority's proposal that all batteries and ITT/AV producers submit a one-time supply data verification report in 2022?

Proposed Option: The Authority is proposing that all battery and ITT/AV producers submit a one-time verification report in 2022. The following are the benefits to this:

- Ensures a level playing field in terms of accuracy and completeness of reporting (i.e. supply data has never been audited)
- Establishes a baseline for supply reporting for new materials and items not included in previous waste diversion programs (i.e. rechargeable batteries and audio equipment)

Feedback Received: Support all registered BEEE producers should submit a one-time supply data verification report

Procedure Section: Reporting Requirements

Feedback received

Consultation Question: Which option to separate producers into different categories do you prefer?

Proposed Options:

Option 1: Three producer categories

- Large producers: Comprehensive procedure
- Medium producers: Simplified procedure
- Small producers: Inspection

Option 2: Two producer categories

- Large producers are required to submit a verification report
- The rest of producers will be subject to inspections

Feedback Received: Support Option #2

Procedure Section: Application and Review

Feedback received

Consultation Question: What level of confidence do you think is acceptable to ensure the accuracy of the supply data?

Proposed Options:

Number of samples required to obtain level of confidence:

Transactions	99% confidence	95% confidence	90% confidence
10,000	164	93	76
5,000	163	92	76
1,000	152	88	73
500	141	84	70
250	125	78	66
100	70	58	51
50	47	43	40
10	10	10	10

Feedback Received: Support 95% confidence level

Procedure Section: Sampling Methodology (Appendix A)

Questions?

Review of the Draft Procedure:

Verification steps

Verification Steps

Batteries and ITT/AV producers can meet their supply data reporting requirement by providing a report prepared by a verifier using **the following verification steps:**

1. Document responses from the appropriate person for the following questions:
    - What is the producer's marketing process, including how products are marketed in Ontario?
    - How are products marketed 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?
    - What are the producer's obligations based on the definition of a producer (refer to the corresponding Regulation)?
    - What are the brand names of products for which the producer has collection and resource recovery obligations?

Verification Steps

1 cont.

- 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?
- What is the producer's methodology for determining the weight of the products supplied in Ontario?
- How does the producer determine which products are included in the product supply report and which ones, if any, are excluded, based on the definition in the Batteries and EEE Regulations?

Verification Steps

2. Select a sample of obligated SKUs in accordance with **Appendix A** and perform the following for each:
    - If actual weight is used, agree it to the manufacturer's specifications.
    - If calculated weight is used, compare the calculation to the WCFs in **Appendix C** and **Appendix D** to determine if the products were reported in the correct categories and if the WCFs were applied correctly.
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 batteries and/or ITT/AV to the most recent Statistics Canada official census, and
        - Recalculate the number of Ontario units supplied based on **Appendix E**.

Verification Steps

4. Select a sample of non-obligated SKUs in accordance with **Appendix A**. For each sample selected, verify that they do not meet the definition of “battery” or “ITT/AV”, as applicable based on the SKU selected.

5. Confirm the accuracy and completeness of the reporting of obligated products supplied to the Ontario market by sampling one month’s data and comparing the raw sales report with the obligated product supply report. Select samples in accordance with **Appendix A** and scrutinize the variances and validate if they are reasonable.

6. Select a sample in accordance with **Appendix A** 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.
    - Products that qualify for the management reduction and are excluded from the total supply data.

Questions?

Review of the Draft Procedure:

Management reductions

Batteries Program (post-consumer recycled content)

Battery and ITT/AV producers who claim post-consumer recycled content are expected to have a qualified third-party verification performed by an independent product certification organization, such as Underwriters Laboratories of Canada (ULC), Intertek, or another third party who is qualified to provide such verification.

The verification is expected to include an opinion on the accuracy of the total weight of the post-consumer recycled content included.

Batteries Program (post-consumer recycled content) cont.

The third party is expected to complete the following verification steps:

1. Document the producer's step-by-step methodology to determine the total weight of post-consumer content claimed.
2. Conduct a review of the actual bill of material and receipt for the specified products with recycled content. Trace and validate the weight of the recycled content in the batteries to the products supplied.
3. Identify what types of materials are included in the post-consumer product.
4. Assess the accuracy of the post-consumer content weight in the new product for which supply data is being reported.
5. Confirm that the post-consumer content was used toward the correct management reduction in the correct type of battery.
6. Verify that the total post-consumer content claim is less than 50% of the total supply weight.

ITT/AV Program (post-consumer recycled content) cont.

The third party is expected to complete the following verification steps:

1. Document the producer's step-by-step methodology to determine the total weight of post-consumer content claimed,
2. Conduct a review of the actual bill of material and receipt for the specified recycled content product. Trace the weight of the recycled content in the ITT/AV to the products supplied,
3. Identify what types of materials are included in the post-consumer product, and
4. Assess the accuracy of the post-consumer content weight in the new product for which supply data is being provided.

ITT/AV Program (Manufacturer's warranty)

The verifier is expected to complete the following verification steps:

1. Obtain and read the producer's corporate warranty policy,
2. Select a sample of warranty claims in accordance with **Appendix A** and agree the warranty period to the producer's warranty policy.
3. Recalculate the producer's total warranty reduction by taking the weight of the material for which the warranty was provided and applying a 5% reduction for each full calendar year under warranty after one year from the date of purchase, and
4. Select a sample of warranty claims in accordance with **Appendix A** and ensure customers did not get any additional charges by tracing to the replacement orders.

ITT/AV Program (Right to Repair)

The verifier is expected to complete the following verification steps:

1. Validate if the producer provides information to the consumer at no charge regarding how to repair the product.

2. Select a sample of repair orders in accordance with **Appendix A** and document the following for each:

    - Whether the customer was charged for tools or parts,
    - Whether the information, tools, and parts are still available to the customer at the time the producer is reporting the supply data, and
    - Whether the producer only applied 10% reduction to the product category that offered a repair option. For any product type that does not have a repair order, confirm with management for any policy or documentation to support the provision of repair tool/part/info to customer for free repair; and

ITT/AV Program (Right to Repair) cont.

The verifier is expected to complete the following verification steps (cont.):

3. Recalculate the producer's total right to repair reduction by taking the weight of the product that provided a repair option and multiply it by 10%.

Verification step to validate the maximum management reduction for ITT/AV:

1. Verify the total management reduction claimed by the ITT/AV producer, including post-consumer content, warranty, and right to repair.

2. Validate that this total is less than 50% of the total supply weight.

Questions?

Review of the Draft Procedure:

Sampling methodology

Sampling methodology

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

Determining sample size

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

Example of how to determine sample size based on verification step # 5:

1. Sample one month's data and compare the raw sales report with the obligated product supply report.
2. Select samples in accordance with **Appendix A** and scrutinize the variances and validate if they are reasonable.

Appendix A

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

Sample Size

Description	Amount
Total # of invoices for sample month	1,000
Invoices with obligated product	900
Difference	100
Population	100
Sample size	**40**

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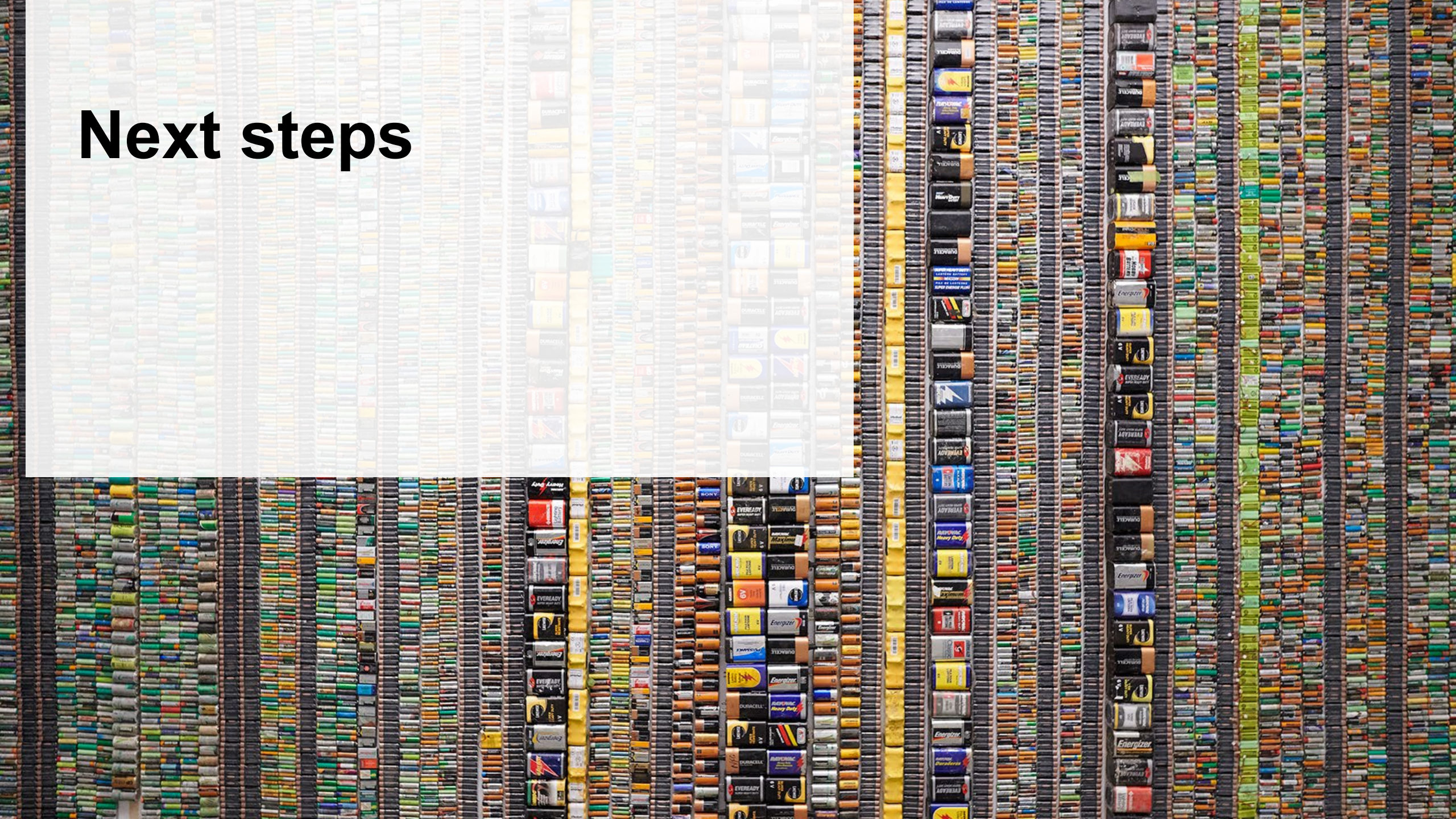
Questions?


Help us improve
our webinars

Next steps



Next steps

- Feedback on the draft Batteries and ITT/AV Supply Data Verification Procedure can be submitted to consultations@rpra.ca. The draft procedure can be found here: https://rpra.ca/wp-content/uploads/DRAFT-Batteries-and-ITTAV-Supply-Data-Verification-Procedure.pdf

- For more information on this consultation, including this presentation, please visit our consultation webpage at https://rpra.ca/consultations/current-consultations/review-of-the-batteries-and-itt-av-supply-data-verification-procedures/

- The deadline to submit your feedback is **February 18, 2022**

- Final procedure to be posted **mid March 2022**
  Note: A communication will be sent once the final procedure is posted.

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