

## Audit Policy

The **Audit Policy** applies in the framework of EPR Curbside Recycling and it describes, in particular:

- The audit procedures;
- The frequency and time frames for performance;
- The terms for adjustment of the Report;
- The conditions leading to a listing in the internal register of Members in default and the ensuing actions.

This Policy was adopted by the board of directors of ÉEQ on March 30, 2023, submitted to the producers on April 20, 2023 and is effective as of April 20, 2023.

### Scope

1. This Policy applies to all Producers, Small Producers and Voluntary Producers.
2. A Producer is responsible at all times for its compliance with the Contract, the General Conditions, the Policies and the Regulation.
3. The performance of an audit by ÉEQ or its representative does not release the Producer from its obligations under the Contract, the General Conditions, the Policies and the Regulation.
4. In accordance with the Producers' Financial Participation Policy, a Producer must keep and maintain full, accurate and up-to-date Internal Records to justify the content of every Report and the amount of each Financial Participation for a period of five (5) years after filing its Report.
5. ÉEQ applies this Policy in accordance with its regulatory obligations, as set out in the Membership Contract and the General Conditions.
6. In keeping with its commitment values (fairness, vigilance, responsibility), ÉEQ uses best practices in its process for auditing the Reports of the Producers.
7. This Policy forms an integral part of the Membership Contract and the General Conditions, and it may be amended in accordance with the General Conditions.

### Policy

8. Definitions from the General Conditions and the Producers' Financial Participation Policy that are specific to this Policy:
  - a) "**Data Reference Year**" means the period from January 1st to December 31st preceding the Reporting Year in which a Producer has generated quantities of Materials in Québec;
  - b) "**Date of Request for Internal Records**" means the date a Producer received a request from ÉEQ to transmit its Internal Records relating to one or more Reports. Such a request is deemed to have been received on the date it was sent by ÉEQ;
  - c) "**Internal Records**": the documents, working files, books, records and all other pertinent data and information in support of the Producer's obligations under the Contract, the General Conditions, the Policies and the Regulation;
  - d) "**Member**" means any Producer that becomes a member of ÉEQ and maintains that status, in accordance with the Contract, the General Conditions, the Policies and the ÉEQ By-laws;

- e) “**Obligation Year or Financial Obligation Year**” represents the year for which the Producer is required to pay a Financial Participation in accordance with the terms and conditions defined in the Producers' Financial Participation Policy;
- f) “**Producer’s Financial Participation (PFP)**” means the contribution paid by the Members pursuant to the Regulation, based on the Financial Participation Schedule and the other conditions described in the Producers' Financial Participation Policy.
- g) “**Report**” means the annual report of the Materials the Member has put on the market, completed in accordance with the General Conditions and for the Reference Year indicated in the Producers' Financial Participation Policy;
- h) “**Reporting Year**” represents the year for which the Producer is required to submit a Report within the time frame established in the Producers' Financial Participation Policy;

## 9. Audits

- a) In the three (3) year period following the filing of a Producer’s Report, ÉEQ may revise it on its own initiative.
- b) ÉEQ reserves the right to perform an internal audit of one or more of a Producer’s Reports or to ask a third party to do so.
  - i. The use of an outside resource may be warranted due to:
    - The complexity of the Report and the Internal Records transmitted;
    - Repeated errors in consecutive Reports;
    - Too great a volume of audits to be performed, whether as a follow-up to internal audits or resulting from amendment requests.
  - ii. The identification of such third party is a matter for ÉEQ to decide.
    - Unless there is a conflict of interest between the third party and the Producer, the Producer shall be obligated to cooperate with the third party identified by ÉEQ.
- c) ÉEQ reserves the right to demand that the Producer provide the Internal Records deemed necessary for the performance of an audit:
  - i. Backing up the data and information used to complete its annual Report and determine any PFP owing;
  - ii. Specifying the list of trademarks and the Producer’s status for each of the Products.
- d) Any Producer to which such a request is made must forward the information within thirty (30) days of the date of request;
- e) In addition to the information and particulars to be submitted by a Producer in connection with its Report and in support of same, ÉEQ or its representative shall have the right to ask the Producer to provide, within thirty (30) days of receipt of the request for Internal Records, any supplemental information the Producer may have used to prepare its Report;
- f) If any information is particularly sensitive, a Producer may, at its expense, use reasonable means to shield such information (without, however, hindering the audit) or appoint an independent auditor who will deliver a report to ÉEQ that does not contain the sensitive information. These steps must be completed within thirty (30) days of receipt of ÉEQ’s request for Internal Records;
- g) Following the audit, ÉEQ may make any necessary corrections to a Report after informing the Producer thereof by written notice:

- i. Where a Producer has over-reported a quantity of Materials, ÉEQ will generate a credit note equivalent to the over-payment which will then be applied to the next invoice to be paid;
  - ii. Where the Producer has under-estimated the quantity of Materials, ÉEQ will generate a revised invoice to be paid within thirty (30) days of receipt, failing which interest and penalties may apply, as provided in the Interest, Penalties and Sanctions Policy. The revised invoice will be presumed to be valid and, if contested, it shall be up to the Producer to establish that it is ill-founded.
- h) When a Producer fails to provide the information and documents required by ÉEQ within the required time frame, ÉEQ may impose charges for failure to cooperate, as provided in the Interest, Penalties and Sanctions Policy.

## 10. Amendment requests by a Producer

- a) Time frame and conditions for requesting an amendment to the Report
  - i. Any Producer that believes it has admissible grounds that could justify an admissible Report amendment request, as listed in point 10 b) of this Policy, shall have a period of two (2) years from the filing deadline for such Report to do so, if it is then still a Member of ÉEQ;
  - ii. All relevant documents and information enabling ÉEQ to proceed with a full analysis of the amendment request and render an informed decision must be submitted at the same time;
  - iii. If ÉEQ deems that the documents and information received do not adequately support the amendment request, it may ask the Producer to provide additional information. If such information is not provided within thirty (30) days, ÉEQ may refuse to process the request;
  - iv. Only Producers that have filed a Report for all of the Obligation Years in force and that have paid the PFP owing at the time of submission of an amendment request may transmit a Report amendment request;
  - v. If a Producer is no longer a Member of ÉEQ it must transmit its Report amendment request within thirty (30) days of its withdrawal. No amendment requests will be accepted after that time period. Where applicable, a credit or invoice will be generated once the analysis of the request has been completed, in accordance with this Policy;
  - vi. Following the analysis of the amendment request and its full or partial approval, ÉEQ may, after having informed the Producer, make the necessary corrections to the Report:
    - A revised invoice for the Financial Participation will then be sent to the Producer;
    - The revised invoice shall be presumed to be valid and, if contested, it shall be up to Producer to establish that it is ill-founded;
    - As provided in the Interest, Penalties and Sanctions Policy, Producers have thirty (30) days to pay the revised invoice, failing which charges shall apply.
- b) The admissible grounds for amendment requests in view of obtaining the revision of a Report, subject to the transmission of adequate supporting documentation in the time frame stipulated in this Policy and acceptance by ÉEQ are, most notably:
  - i. An incorrect formula in an Excel spreadsheet or a similar “tool”;
  - ii. Faulty logic in an Excel spreadsheet or a similar “tool”;
  - iii. An error in the classification of Materials;
  - iv. An error in the entry of the weight of a Material (for example, entering 1 instead of 10);

- v. Data entry in the wrong units of measure (for example, grams instead of kilograms);
  - vi. An error or omission in the quantities of Materials;
  - vii. An erroneous exclusion of one or more Materials;
  - viii. The inclusion of Materials excluded under the Producers' Financial Participation Policy or the Regulation (e.g., books or long-lasting Materials);
  - ix. Duplication of Materials where more than one Producer has submitted Reports for the same Material for the same Reference Year;
  - x. The transmission of actual data to replace estimates used by newly admitted Members.
- c) The grounds for amendment requests that are not admissible for revision of a Report include, most notably:
- i. Amendments resulting from changes in Reporting methodology:
    - Discontinued use of a calculator to estimate quantities or the average weight method (ABOM) to report actual data or vice versa;
    - The use of a new study, new methodology or an amendment of internal processes identifying previous errors in the quantities reported or modifying the percentage of apportionment between reported Materials and deducted Materials (for example, for returns, changes in delivery locations and sales data);
    - The updating of a methodology (ABOM or other) including any reorganization of Product samples or the reorganization of the manner in which the methodology is applied to the company's UPC (SKU);
    - The creation of an ABOM, where none existed originally to develop the report, and vice versa.
- d) Time frame for processing amendment requests
- i. The time frame for processing amendment requests may vary depending on:
    - The complexity of the Report;
    - The quality of the supporting documentation transmitted by the Producer;
    - The number of amendment requests already received.

## 11. Non-compliance resulting in an Imposed Financial Participation

- a) Any failure to file a Report and any incomplete, late, erroneous or fraudulent Report shall result in the ability of ÉEQ to imposed, at any time, the PFP owing by means of an estimate prepared on the basis of all the elements in its possession.
- i. The estimation elements or methods used by ÉEQ shall remain confidential;
  - ii. The imposed PFP shall be presumed to be valid and, if contested, it is up to the Producer to establish that such PFP is ill-founded;
  - iii. The interest and charges specified in the Interest, Penalties and Sanctions Policy shall apply to the imposed PFP;
  - iv. The imposed PFP shall be paid in accordance with the terms of the payment schedule contained in the Producers' Financial Participation Policy. In the event such PFP is issued after the time frames stipulated in this Policy, the amounts for which the due date is past shall be paid on receipt of the invoice;

- v. The Producer may transmit data and information specific to the Materials it has put on the market in the Reference Year to which the imposed PFP relates within thirty (30) days of the date of issuance of the imposed PFP. The data will be analyzed by ÉEQ and, if deemed admissible, a revised invoice will be issued and the applicable charges will be adjusted accordingly, in conformity with the Interest, Penalties and Sanctions Policy.

## **12. Recurring non-compliance of Reporting and register of Members in default**

- a) A recurring non-compliance of Reporting by a Producer's will systematically lead to its inclusion in the internal register of Members in default.
  - i. By "recurring," ÉEQ means where a second non-compliance of Reporting is observed in the course of one of the last three Reports;
  - ii. By "internal register of Members in default," ÉEQ means the list of all Members that have had recurrent non-compliances of Reporting, which is only available to the employees of ÉEQ.
- b) The listing of a Producer in the internal register of Members in default:
  - i. Results in an annual audit of its Report or critical deficiencies raised in the context of previous audits;
  - ii. May lead to, amongst other remedies, the application of charges, in accordance with the Interest, Penalties and Sanctions Policy.
- c) A Producer will remain listed in the register of Members in default unless and until ÉEQ is reasonably assured that the deficiencies observed have been sustainably corrected.