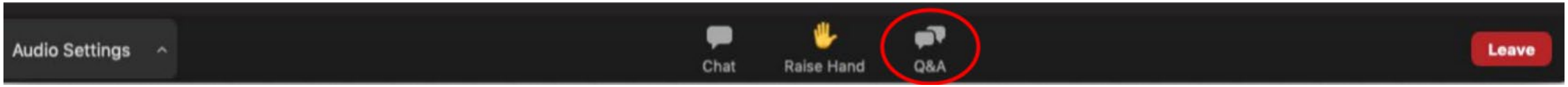
BDO

RPRA
Resource Productivity & Recovery Authority

Batteries Resource Recovery Performance Audit Procedure Consultation

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”.

About this Consultation

- RPRA has retained BDO Canada LLP (BDO) to develop Resource Recovery Performance Audit Procedures for batteries, ITT/AV and lighting, and hazardous and special products (HSP).

- These procedures will be referenced when producers reporting on their own activities and PROs reporting for producer clients and on their own activities submit their audit report during the 2024 reporting period.

- Phase one took place from March 7 to April 14, 2023

- Phase two will take place from November 15 to December 14, 2023

Consultation Timeline

Agenda

1. Overview of the consultation timeline and next steps
2. Feedback received during phase one
3. Review of the draft procedure
4. How to submit feedback

Consultation Timeline

Steps completed to date

Research	Phase one consultation (March 7 to April 14)	Develop procedure	Phase two consultation (November 15 to December 14)
• Desktop research • Review relevant material previously submitted to RPRA	• Processor 1:1 and group consultations • Producer Responsibility Organization (PRO) 1:1 and group consultations • Engagement with other industry stakeholders	• Draft batteries resource recovery performance audit procedure based on feedback received during phase one • RPRA feedback	• Post draft procedure to RPRA's website • Present draft procedure to PROs, producers and their auditors to hear additional feedback and answer questions

Consultation Timeline cont.

Next steps

Finalize procedure	Prepare consultation report	Post final procedure and consultation report	Performance audit reporting
• Review feedback submitted from phase two; make changes to the draft procedure (if applicable)	• Consultation report to summarize consultation process, feedback received and final outcomes	• Final procedure and consultation report to be posted to RPRA's website and sent to producers and PROs	• Producers reporting on their own activities and PROs reporting their resource recovery performance to RPRA begins in 2024

Feedback Received during Phase One

Feedback Received during Phase One

- In many cases it will be very difficult for processors and PROs to get the cooperation of downstream processors to provide sufficient and appropriate audit evidence.
- Processors should not be penalized for downstream processor performance.
- Processors can operate in different ways, which means one size fits all procedures won't necessarily work.
- Balancing administrative burden with results.
- Alignment of Recycling Efficiency Rate (RER) Procedure and Resource Recovery Performance Audit Procedure.

Review of the Draft Procedure

Summary of Batteries Resource Recovery Performance Audit Procedure

Sections

- Purpose of the Audit Procedure
- Batteries Performance Reporting Criteria
- Audit Procedure Specific Definitions
- Primary Batteries Processor Performance CSAE 3000 – Suggested Audit Procedures
- Downstream Batteries Processor Performance CSRS 4400 – Agreed-upon Procedures
- Batteries Recovery Credit Transfers CSRS 4400 – Agreed-upon Procedures
- Appendices

Purpose of the Audit Procedure

Requires per Regulation:

Battery management, producer requirements

12. Subject to section 7, every producer shall establish and operate a system for managing batteries by determining and satisfying their management requirement with respect to each applicable category of batteries in accordance with sections 13 to 17.

Audit, management systems

31. (1) Every producer shall cause an audit to be undertaken of the practices and procedures the producer implemented in order to comply with sections 12 to 16,

(a) on or before April 30, 2024, with respect to each category of batteries the producer was responsible for between January 1, 2022 and December 31, 2023; and

- The primary processor audit procedures provide guidance for producers and PROs to prepare for an audit and auditors to conduct an audit.
- The downstream and credit transfer procedures provide guidance for producers and PROs to prepare for an audit and specific procedures for auditors to conduct an audit.

Batteries Performance Reporting Criteria

Regulation

1. The weight of batteries that were refurbished.
2. The weight of batteries that were reused.
3. The weight of processed materials that resulted from the processing of batteries that were,
    i. provided to a person for the making of new products or packaging,
    ii. used to enrich soil, or
    iii. used as aggregate.
4. A list of the types of products and packaging that were made with the processed materials referred to in paragraph 3.
5. The weight of batteries and the weight of processed materials that were,
    i. land disposed,
    ii. incinerated,
    iii. used as a fuel or a fuel supplement,
    iv. stored, stockpiled, used as daily landfill cover or otherwise deposited on land, or
    v. used as aggregate, with respect to any aggregate that was used beyond the 15 per cent maximum permitted under subsection 16 (2).
6. A statement confirming whether the producer satisfied their management requirement.

Audit Procedure Specific Definitions

Important Definitions

“Collected” means when a battery has been delivered to a registered battery hauler, refurbisher, or processor.

“Downstream Processor” means a person that receives recoverable resources that were generated from batteries used and collected in Ontario from a battery processor for the purpose of further processing. All processing activities are considered in scope of this definition, until the resources can be considered a recovered resource.

“Recovered Resource” means a resource derived from batteries that that will not undergo further refining and is fully used to displace a virgin material in the manufacturing of a new product.

Consultation Questions

1. Are there any other definitions that you think need to be included, in addition to *collected*, *downstream processor* and *recovered resource*?

Summary of Batteries Performance Audit Procedure Guidance

Proposed Separate Reports

Primary Batteries Processors

- CSAE 3000 – Reasonable assurance.
- Auditors provide an opinion.
- Auditors may find that some or all of these procedures are not applicable to their particular client, this is not an exhaustive list of all possible audit procedures.

Downstream Batteries Processors

- CSRS 4400 – Agreed-upon procedures.
- Auditors perform the specific agreed-upon procedures.
- Auditor does not provide an opinion.
- Includes a section for combining the performance of the primary and downstream processors in a PROs system.

Batteries Recovery Credit Transfers

- CSRS 4400 – Agreed-upon procedures.
- Auditors perform the specific agreed-upon procedures.
- Auditor does not provide an opinion.
- Procedures for when a producer or PRO has bought or sold resource recovery performance credits.

Audit Conclusions for Reasonable Assurance Engagements

Unmodified Conclusion

The practitioner shall express an unmodified conclusion when the practitioner concludes that the subject matter information is prepared, in all material respects, in accordance with the applicable criteria.

Modified Conclusion (Scope Limitation)

If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, but the limitation is not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion.

"Basis for modified opinion" section of the auditor's report.

Modified Conclusion (Disclaimer of Conclusion)

Due to the materiality and pervasiveness of a scope limitation, the practitioner is not able to obtain sufficient appropriate evidence to form a conclusion.

"Basis for disclaimer of conclusion" section of the auditor's report.

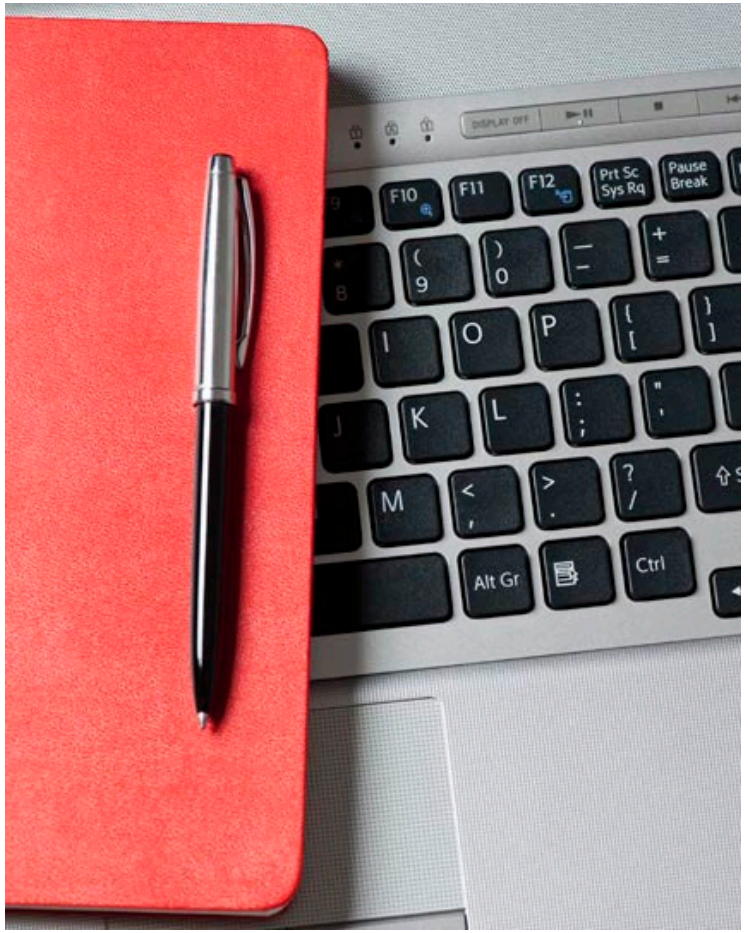
Modified Conclusion (Adverse Conclusion)

When, in the practitioner's professional judgment, the subject matter information is materially misstated.

"Basis for adverse conclusion" section of the auditor's report.

Summary of Draft CSAE 3000 Audit Procedure Guidance

- Suggested Audit Procedures
  - Refurbished
  - Reused
  - Processed
  - Non-recycled
  - Confirming satisfaction of management requirement
- Appendix A: Sampling Methodology
- Appendix B: Validating Batteries
- Appendix C: Validating Calculated Weight of Batteries
- Appendix D: Validating Transfers Between Parties
- Appendix E: Validating Outbound Shipments
- Appendix F: Validating Actual Use of Material
- Appendix G: Validating Mass Balance Calculation
- Appendix H: Manual and Automated System Controls
- Appendix I: References



Suggested Step by Step Audit Procedures

Specific steps that an Auditor could take to validate each performance metric:

- Data analytics of all transactions
- Sample testing of transactions
- Review of supporting documentation for transfer between Haulers, Processors, Refurbishers, and End Markets / RPMs
- Review of Processors mass balances
- Recalculations of reported numbers for each performance metric

Example Suggested Procedures for Processing

3. The weight of processed materials that resulted from the processing of batteries that were:

i. provided to a person for the making of new products or packaging,

ii. used to enrich soil, or

iii. used as aggregate.

a) Obtain a listing of all transactions for the PRO that make up the calculated weight of batteries that were collected and delivered to a processor.

b) Obtain a listing of all transactions for the PRO that make up the calculated weight of batteries that were processed, by a processor, for each use type.

c) Recalculate the calculated weight of batteries that were collected and delivered to a processor.

d) Recalculate the total weight of processed material.

e) Compare the recalculated weight based on the listing received to the reported weight of processed materials in the PRO's annual report.

Example Suggested Procedures for Processing continued

For each battery processor:

f) Use analytical procedures to assess the reasonableness of transactions.

g) Select a representative sample of inbound shipments (see Appendix A for suggested sampling methodology).

h) For each sample, check the accuracy, completeness and validity of the original batteries recorded (see Appendix B for a definition of validity summarized from the Regulation).

i) For each sample, agree the calculated weight of batteries or semi-processed material (see Appendix C for guidance on the use of weight conversion factors).

j) Select a sample of outbound shipments from across the three use types and transfers to subsequent processors.

k) For each sample, confirm the validity of the sale/transfer/charge to the RPM, end market, or downstream processor (see Appendix D and E for guidance on assessing validity).

l) For each sample, confirm the validity of the RPM, end market, or subsequent processor, and that the material is going to be used in the manner intended (see Appendix F for guidance on assessing validity).

m) For each sample, agree the weight of the outbound processed material to support (e.g., weight scale ticket).

n) Obtain the processing facility's mass balance(s) for the audit period (see Appendix G for guidance on assessing validity).

o) For the processing facility's mass balance, identify and recalculate the percentage of processed material per kg inbound batteries.

p) Confirm that the total weight of processed material allocated to the PRO equals the total weight of inbound batteries allocated to the PRO multiplied by the processor's processed percentage, as confirmed by the mass balance.

Validating Batteries

There are three specific criteria that a battery must meet in order to be considered valid for collection performance reporting under the audit procedure:

a) It meets the Batteries Regulation definition of a battery.
   i. is a container consisting of one or more voltaic or galvanic cells, in which chemical energy is stored as electricity or converted into electricity and used as a source of power; and
   ii. weighs five kilograms or less.

b) It was used in Ontario.

c) It was collected in Ontario in compliance with the Batteries Regulation and transported to a registered processor or registered refurbisher by a registered batteries hauler or transferred for reuse.

Validating Calculated Weight of Batteries

Actual Weight

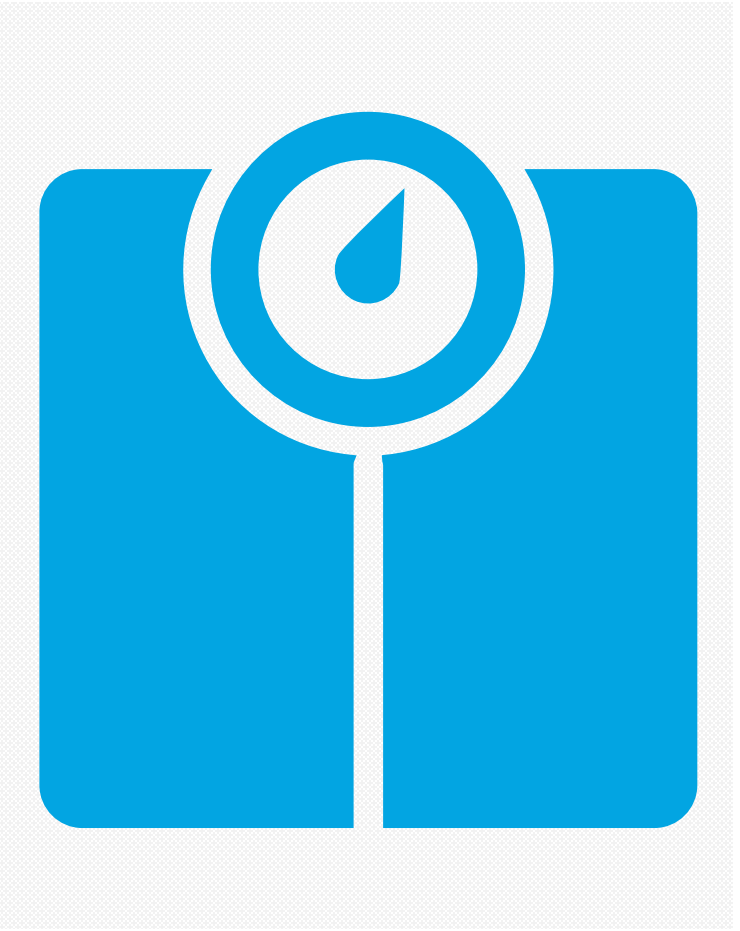
Whenever actual weight is reported:

- Observe that scale tickets are automatically printed from the scale reading and that scale tickets include time, date, weight, are legible and not manually altered.
- Observe that the processors have an annual scale calibration report provided by an independent, qualified inspector.

Weight Based on Conversion Factors

Whenever weight calculated based on conversion factors is reported, the auditor must ensure the following:

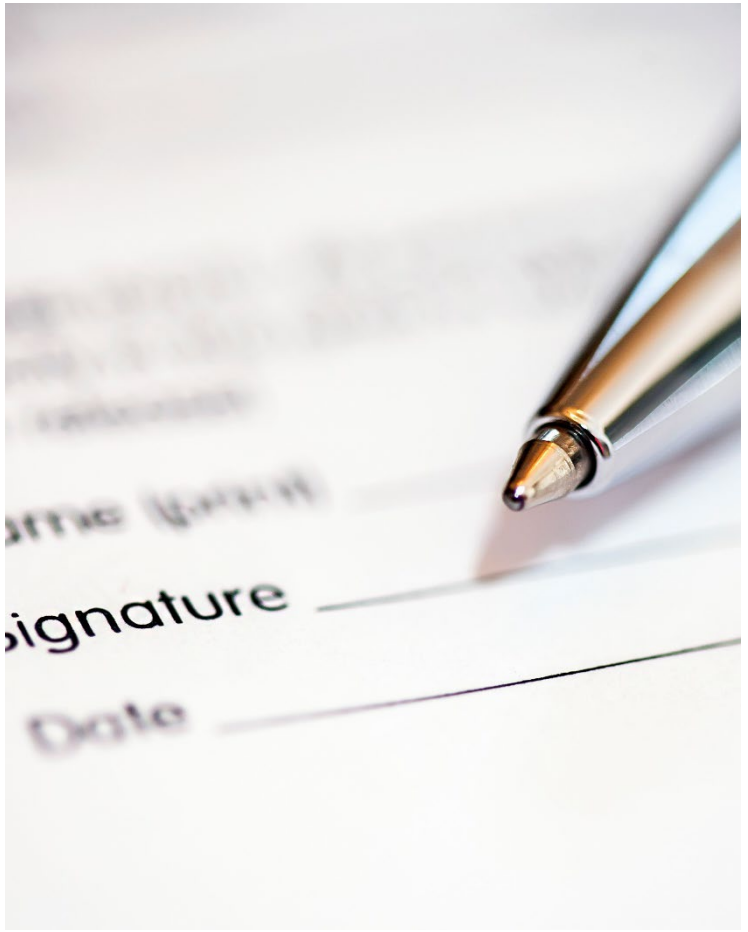
- The correct conversion factor for the types of used batteries has been applied.
- The conversion factor calculation is accurate.



Validating Batteries and Material Transfers

Auditors would be looking at the available supporting documentation for each transfer between parties in the chain of material processing, (e.g., hauler to processor, primary processor to downstream processor, hauler to refurbisher).

- Supporting documentation could be hard copy or electronic.
- If actual weight is available, it should be included along with weigh scale ticket evidence.
- Ideally supporting documentation is acknowledged by both parties to the transaction.



Consultation Questions

2. How does your organization record and store transactions and supporting documentation?

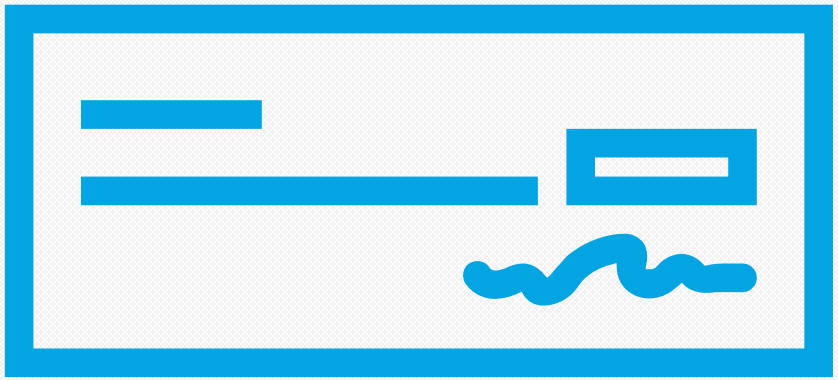
3. Do the records and supporting documentation meet these expectations?

4. Would this information be readily available and accessible to your auditors?

Validating Outbound Shipments

Auditors would be looking at the available supporting documentation for samples of material sales to downstream processors, RPMs and end markets. Example evidence they may request include:

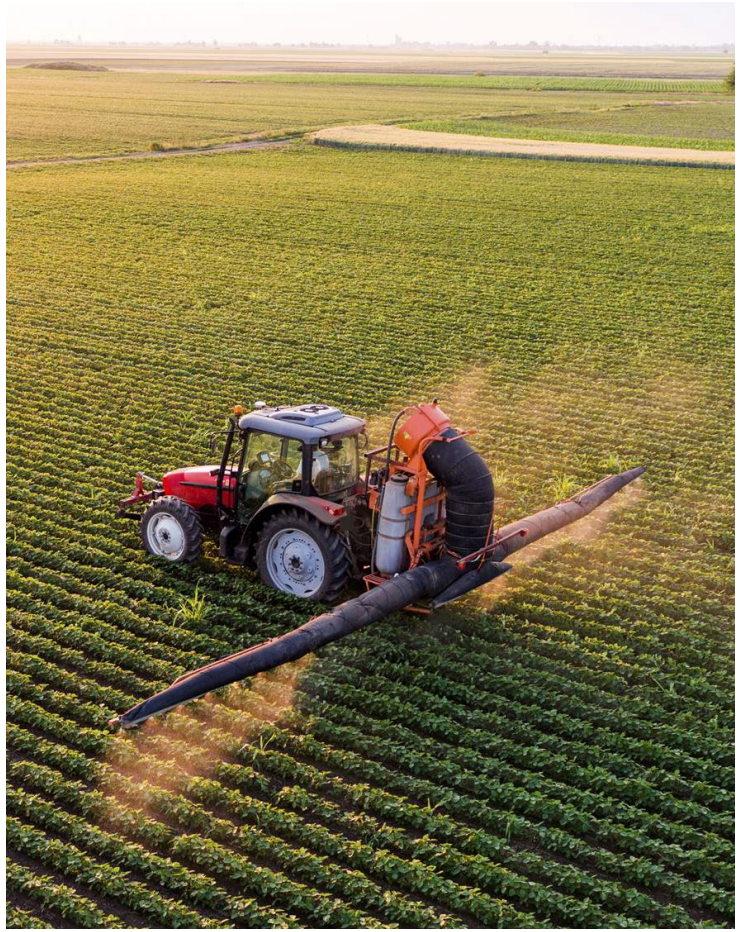
- Sales/purchase invoice.
- Shipping invoice / bill of lading.
- Evidence of payment received in GL.
- Evidence of payment received in bank (statement).



Validating Actual Use of Recovered Resources

Auditors would be looking at available information to corroborate that sales of recovered resources to RPMs and end markets are for appropriate uses under the regulation. Procedures could include; contacting the company, checking company's website or visiting the company.

Additionally, does the cost of the material or transportation to the RPM or end market logically suggest that it would be used for the manner in which it is intended?



Consultation Questions

5. What processes or controls do processors already have in place to validate RPMs and end markets?

6. Do PROs require this type of evidence when they contract with a processor or pay for processed material?

Validating the Mass Balance Calculation

Simplified Mass Balance Calculation

Opening Batteries Inventory Balance	+	Opening Material Balance (Processed and Non-Processed)	+	Inbound Batteries	=	Outbound Material (Processed and Non-Processed)	+	Closing Material Balance (Processed and Non-Processed)	+	Closing Batteries Inventory Balance

- A mass balance is suggested as a method to validate the weight of recovered resources reported by a processor to a PRO.
- Typically, if a processor's mass balance demonstrated a recovery rate of 50% and a processor reported 100,000KG of collected material for a PRO then they would report approximately 50,000KG of recovered resources for a PRO.
- If a processor has reported a higher weight of recovered resources, then an auditor may want to corroborate how this was possible.
- For these procedures, the mass balance is different to the RER calculation because it does not take into account resources recovered by downstream processors.

Validating the Mass Balance Calculation

Opening Inventory and Inbound Product

Calendar Year			Calculation Ref.
Opening Inventory and Inbound Product			
Opening Product Inventory (KG)	Batteries	100,000	(a)
Opening Processed Materials Inventory (KG)	Material A (e.g., black mass, metal, plastic)	50,000	
	Material B (e.g., black mass, metal, plastic)	25,000	
	Material C (e.g., black mass, metal, plastic)	10,000	
	add more lines as needed		
		85,000	(b)
Opening Semi-Processed Material (KG)		10,000	
Opening Non-Designated Materials Inventory	Non-Designated Material (e.g. garbage)	2,000	(c)
Inbound Product (KG)	Batteries	1,000,000	(d)
Inbound Semi-Processed Material (KG)		50,000	(e)
Added Materials	Material added during processing	-	(f)
Opening Inventory + Inbound Product (KG)	Batteries + Processed Material	1,247,000	(a+b+c+d+e+f)

Validating the Mass Balance Calculation cont.

Recovered and Non-Recovered Material

Calendar Year			Calculation Ref.
Recovered and Non-Recovered Material			
Recovered material sent to an end market to be used in the making of products and packing + reused and refurbished products			
	Reuse Batteries	20,000	(g1)
	Refurbished Batteries	10,000	(g2)
	Material A (e.g., black mass, metal, plastic)	450,000	
	Material B (e.g., black mass, metal, plastic)	100,000	
	Material C (e.g., black mass, metal, plastic)	75,000	
	add more lines as needed		
		655,000	(g)
Program material sent to an end market to be disposed of or stored in a manner that is not considered recycling			
	Landfill	120,000	
	Incinerated	100,000	
	Used as a fuel or a fuel supplement	-	
	Stored, stockpiled or otherwise deposited on land	20,000	
		240,000	(h)
Non-Program material sent to an end market	Non-Program Material (e.g. garbage)	55,000	(i)
Non-Recovered Product Transferred to Other Processors	Batteries	10,000	
	Semi-processed Material A	10,000	
	Semi-processed Material B	25,000	
		45,000	(j)

Validating the Mass Balance Calculation cont.

Closing Inventory

Calendar Year			Calculation Ref.
Closing Inventory			
Closing Product Inventory (KG)	Batteries	95,000	(k)
Closing Processed Materials Inventory (KG)	Material A (e.g., black mass, metal, plastic)	50,000	
	Material B (e.g., black mass, metal, plastic)	40,000	
	Material C (e.g., black mass, metal, plastic)	10,000	
	add more lines as needed		
		100,000	(l)
Closing Semi-Processed Material Inventory (KG)		10,000	(m)
Closing Non-Program Materials Inventory (KG)	Non-Program Material (e.g. garbage)	5,000	(n)
Closing Inventory (KG) Product + Material		210,000	(k+l+m+n)

Validating the Mass Balance Calculation cont.

Mass Balance

Calendar Year			Calculation Ref.
Performance Rate Calculation			
Gross Processed + Closing Inventory		1,205,000	(g+h+i+j+k+l+m+n)
Shrinkage / wastage		42,000	(o)
Gross Processed + Closing Inventory + Shrinkage		1,247,000	(g+h+i+j+k+l+m+n+o)
Mass Balance		-	(a+b+c+d+e+f) - (g+h+i+j+k+l+m+n+o)
Shrinkage / wastage (%)		3.37%	
	Recycled Material (Exc. Reuse, Refurbished)	625,000	(g-g1-g2)
Available Material (Exc. Reuse, Refurbished, Non-program, Transferred, Closing Inventory, Shrinkage)		865,000	(a+b+c+d+e+f) - (g1+g2+i+j+k+l+m+n+o)
	Performance Rate (%)	72.25%	

For the purposes of the mass balance calculation:

- "Recycled Material" is only recovered material sent to an end market to be used in the making of products and packing excluding reused and refurbished products.

- "Available Material" is only "recycled material" + "program material sent to an end market to be disposed of or stored in a manner that is not considered recycling".

Consultation Questions

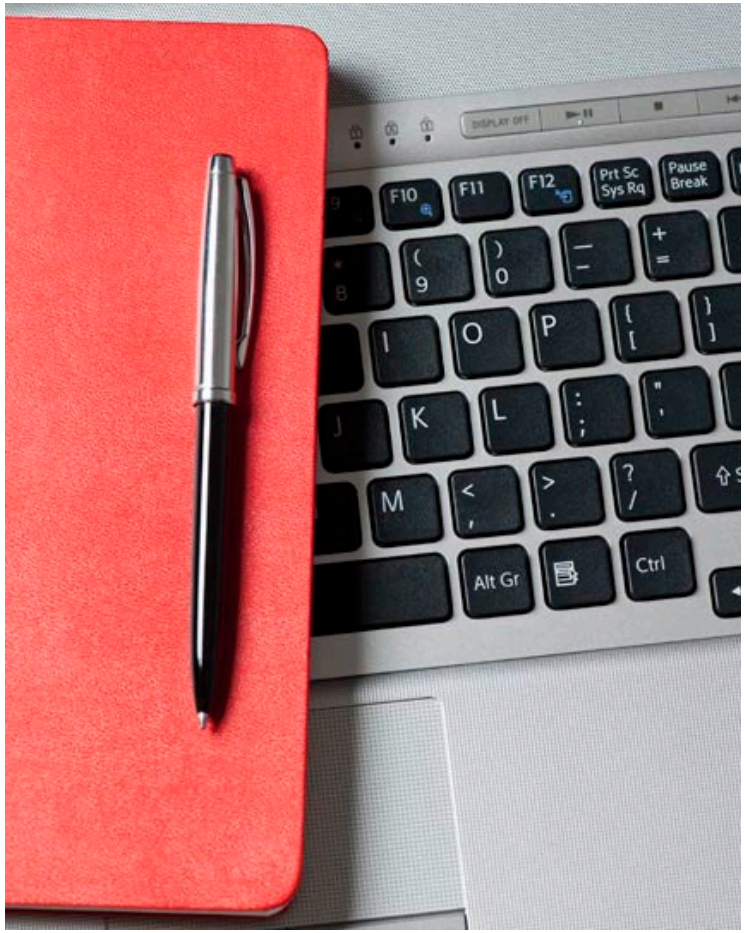
Draft CSAE 3000 Audit Procedure Guidance

- General questions / comments?

Rationale for Draft Downstream Processor Performance Procedures cont.

CSRS 4400 – Agreed-Upon Procedures

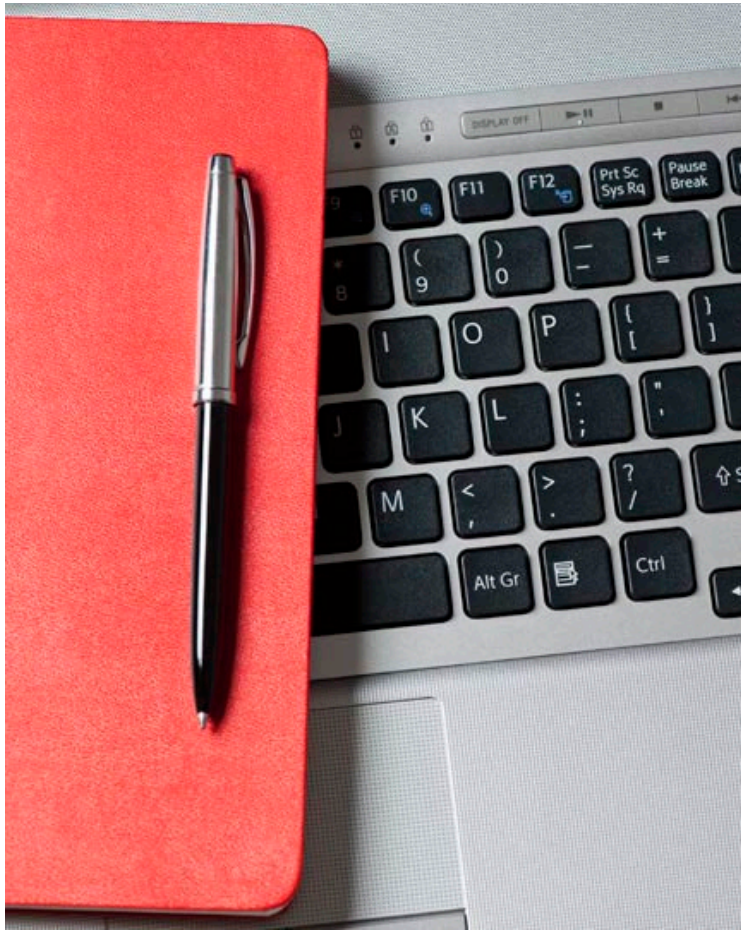
- The regulation requires a reasonable assurance engagement (covered in the previous slides). By excluding downstream processors, this reduces the likelihood of qualified or adverse opinions for the primary processor performance CSAE 3000 engagement.
- It is expected that the agreed-upon procedures report for downstream processor will provide RPRA with more detailed / consistent insights into downstream processors than qualifications and adverse opinions if all performance was combined in a single CSAE 3000 report.
- RPRA may choose to investigate processors who report unrealistic resource recovery performance or do not provide sufficient evidence.



Rationale for Draft Downstream Processor Performance Procedures cont.

CSRS 4400 – Agreed-Upon Procedures

- Designed to provide the PRO a specific list of reports and documents they would need to request from downstream processors in their system.
- Leverages the mass balance calculation (covered in previous slides) to calculate downstream processors' performance rate and compare to reported weights.
- Similar procedures to the suggested audit procedures for the CSAE 3000 engagement.
- Combines the performance of primary and downstream processors.
- Downstream processors' performance incorporated regardless of sufficiency and appropriateness of evidence.



Example Draft Procedures for Opening Inventory

CSRS 4400 – Agreed-Upon Procedures

1) The following procedures relate to the weight of opening inventory product and material as at January 1, 20XX that resulted from the processing of batteries received in the prior collection period.

    a) Obtain a listing of opening battery inventory as at January 1, 20XX and recalculate the total weight based on the individual weights listed.

    b) Obtain a listing of opening processed materials inventory as at January 1, 20XX and recalculate the total weight based on the individual weights listed.

    c) Obtain a listing of opening semi-processed materials inventory as at January 1, 20XX and recalculate the total weight based on the individual weights listed.

    d) Obtain a listing of opening non-program materials inventory as at January 1, 20XX and recalculate the total weight based on the individual weights listed.

    e) Calculate the total opening inventory by adding the totals of the listings obtained in (a), (b), (c), and (d) above.

Comparing Reported Recovery Rate to Mass Balance Procedures

CSRS 4400 – Agreed-Upon Procedures

6) The following procedures relate to comparing the downstream processors recycling rate determined through the mass balance and calculation in 5(f) to the imputed recycling rate determined from the inbound semi-processed material and recovered resources reported by the downstream processor to the PRO.

   a) Obtain a listing of inbound semi-processed materials received between January 1, 20XX and December 31, 20XX allocated to the PRO and recalculate the total weight based on the individual weights listed.

   b) Obtain a listing of recovered material sent to an end market to be used in the making of products and packaging between January 1, 20XX and March 31, $20XX^{+1}$ derived from semi-processed material from 6(a) and allocated to the PRO and recalculate the total weight based on the individual weights listed.

   c) Obtain a listing of program material or semi-processed material sent to an end market to be disposed of or stored in a manner that is not considered recycling between January 1, 20XX and March 31, $20XX^{+1}$ derived from semi-processed material from 6(a) and allocated to the PRO and recalculate the total weight based on the individual weights listed.

   d) Calculate the imputed recovery rate by dividing 6(b) by 6(a).

   e) Calculate the difference between the imputed recovery rate calculated in 6(d) and the recycling rate determined through the mass balance calculated in 5(f).

Draft Procedures for Combining Primary and Downstream Performance

CSRS 4400 – Agreed-Upon Procedures

8) The following procedures combine the performance of all primary and downstream processors within a PRO's system:
   a) Identify the reported weight of reused batteries in the PRO's CSAE 3000 performance report.
   b) Identify the reported weight of refurbished batteries in the PRO's CSAE 3000 performance report.
   c) Calculate the total weight of recovered material by primary and downstream processors in the PRO's system by adding 7(a) and the reported weight of recovered material in the PRO's CSAE 3000 performance report.
   d) Calculate the total weight of program material or semi-processed material sent to an end market to be disposed of or stored in a manner that is not considered recycling by primary and downstream processors in the PRO's system by adding 7(b) and the reported weight of program material sent to an end market to be disposed of or stored in a manner that is not considered recycling in the PRO's CSAE 3000 performance report.
   e) Calculate the PRO's resource recovery rate by adding 8a), 8(b), and 8(c) and dividing by the reported weight of collected batteries in the PRO's CSAE 3000 performance report.

Consultation Questions

Downstream Processing

7. Do you agree or disagree with the approach of separating primary and downstream processor verification?

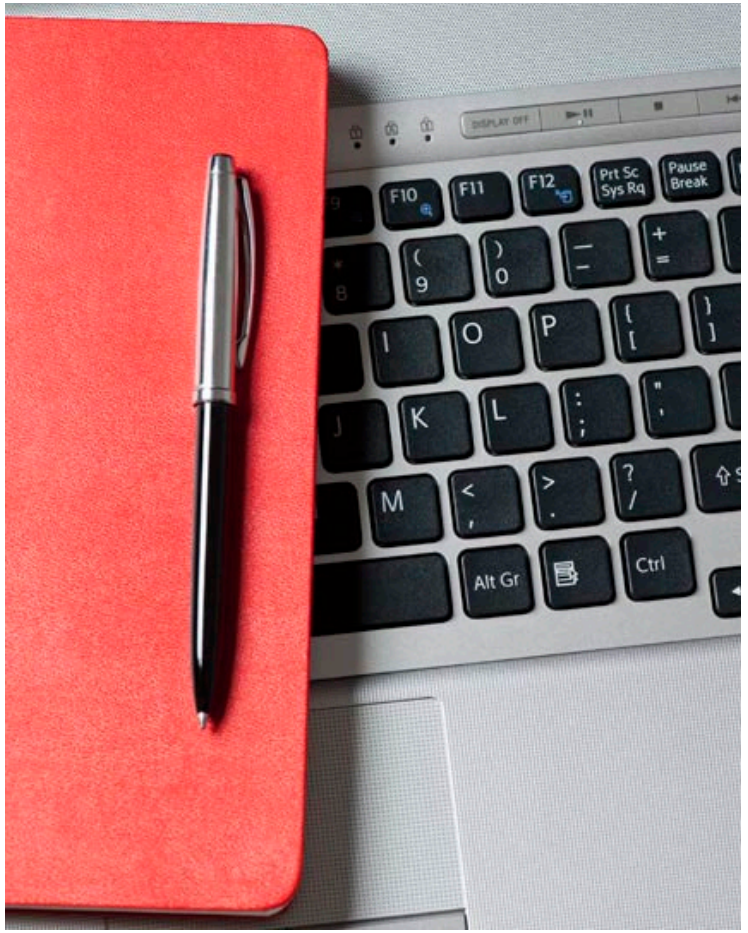
8. If you disagree, what do you think would be a more effective approach?

9. Since providing feedback in the initial consultation, do you think downstream processors are more or less likely to provide sufficient evidence?

Rationale for Draft Batteries Recovery Credits Transfer Procedures

CSRS 4400 – Agreed-Upon Procedures

- In order to meet a producer's annual resource recovery obligations, producers or PROs may have bought or sold resource recovery performance credits before the annual reporting deadline.
- For compliance purposes, the batteries recovery credits transfer procedures outlines how to validate credits transferred (bought/sold) between PROs.
- Although resource recovery performance audits are only required to be performed on a three year cycle in accordance with the Regulation, it is suggested that a PRO selling credits during the cycle might want to complete an audit on an annual basis to provide comfort to the purchasing PRO.



Draft Batteries Recovery Credits Transfer Procedures

CSRS 4400 – Agreed-Upon Procedures

1) Obtain copies of all purchase and sales agreements (i.e., legal agreement/contract) related to batteries recovery credits transferred and ensure two signatures are present.
2) For each purchase and sale:
    - Obtain an email from the purchaser/seller confirming the total volume of credits bought/sold by the PRO. Agree the confirmed amounts with the volume of credits added to or removed from the PRO's performance and the purchase/sale documentation.
    - Obtain the invoice and agree the total monetary transaction amounts to the purchase/sale order (if applicable) the funds withdrawn from/deposited in the PRO's bank statement.
3) Agree the total amount of weight credits bought/sold by the PRO to the amount reported on the credit transfer documentation (i.e., Certificate of Transfer).
4) Calculate the resource recovery percentage for the PRO as follows:
    - Take the PRO's own performance before the consideration of any credits bought or sold.
    - Add/subtract credits bought from or sold to another PRO, and
    - Divide the volume of processed material by the volume of collected material.
5) Determine if the results of the calculation meet or exceed their management requirement as defined in Ontario Regulation 30/20: Batteries.

Consultation Questions

Draft CSRS 4400 Agreed-upon Procedures - Batteries Recovery Credits Transfers Procedures

- General questions / comments?

Help us improve our consultations

How to submit feedback

We want to hear your feedback

- Feedback on the draft Batteries Resource Recovery Performance Audit Procedure can be submitted to consultations@rpra.ca. The deadline to submit feedback is **December 14, 2023**.

- We are looking for your feedback on the following consultation questions:
  1. Are there any other definitions that you think need to be included, in addition to collected, downstream processor and recovered resource?
  2. How does your organization record and store transactions and supporting documentation?
  3. Do the records and supporting documentation meet these expectations?
  4. Would this information be readily available and accessible to your auditors?
  5. What processes or controls do processors already have in place to validate RPMs and end markets?
  6. Do PROs require this type of evidence when they contract with a processor or pay for processed material?
  7. Do you agree or disagree with the approach of separating primary and downstream processor verification?
  8. If you disagree, what do you think would be a more effective approach?
  9. Since providing feedback in the initial consultation, do you think downstream processors are more or less likely to provide sufficient evidence?

We want to hear your feedback cont.

- To review consultation materials, including the draft procedure and these slides, please visit our consultation webpage: https://rpra.ca/consultations/current-consultations/development-of-resource-recovery-performance-audit-procedures-for-batteries-itt-av-lighting-and-hsp/

- Producers, PROs and all other consultation participants will be notified when the procedure is finalized. The final procedure and consultation report, which summarizes the feedback received, will be posted to RPRA's website.